

MOSES KOTANE LOCAL MUNICIPALITY



2011 / 2012

ANNUAL REPORT

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1. FOREWORD BY THE MAYOR

The council concluded its first financial year in its five year term and it is an honour to provide a short forward to the financial statements for the financial year ended 30 June 2012

The new council immediately engaged in strategic planning to address problems that might still have remained from the past and to plan for the next five years.

The new Budget and Reporting Regulations were implemented with the 2010-2011 and this was the second year that the high level budget format were used very successfully for management purposes and resulted in a surplus of R62,360 million.

The Integrated Development Plan was revised through an extensive public consulting process while the budget was aligned with the IDP.

The following table indicates major Capital Expenditure Projects during the Financial Year which was financed with MIG funds, External Loans, Internal Resources, Transfers and District Municipality funding to the amount of R 89,879,406 million which is an improvement on the previous financial year.

CAPITAL EXPENDITURE

Roads and storm water	R 19,848,472
Sewerage	R 7,526,649
High mast- and Street lighting	R 1,540,344
Municipal Buildings	R 11,861,696
Parks and Sport Facilities	R 5,037,307
Water provision	R 42,277,984
Solid Waste Disposal Site	R 1,786,954
Total	R 89,879,406

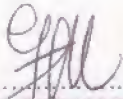
Notwithstanding the above mentioned capital spending the backlog in service delivery remains a huge challenge and the council is doing its utmost best to provide services where it is mostly needed.

The Council's Medium Term Revenue and Expenditure Framework for the next three years focus on addressing backlogs in water- and sanitation services while projects such as the new refuse disposal site which was recently completed will provide an environmental friendly service to our community.

Please accept my appreciation for support from the Speaker, Chief Whip, Executive Committee members and all part time Councillors for their assistance in achieving the preset goals.

The two Heads of Departments that were Acting as Municipal Manager during the financial year and their staff must also be commented for the hard work and dedication to achieve the pre-set goals.

Allow me to express a word of welcome to our new Municipal Manager Ms Nono Dince. We wish her a very successful career in our municipality and assure her of my, the Executive Committee and the Councils support in the execution of her duties.



.....
CLR. F. MOKATI-THEBE
MAYOR AND CHAIRPERSON OF THE EXECUTIVE COMMITTEE

2. REPORT OF THE CHIEF FINANCIAL OFFICER

INTRODUCTION

The Budget and Treasury Office, contrary to previous financial years, could meet all reporting targets. Section 71 and 72 reports were completed and submitted timeously in all reporting periods. The Adjustment Budget was completed and approved on time while all targets were met with the tabling and approval of the 2012-2013 Budget and MTREF. At this point in time all budget related reports and returns have been submitted to National Treasury while the Annual Financial Statements were completed and submitted to the Auditor-General before 31 August 2012.

The filling of core positions such as the Manager: Budget and Reporting was successful in December 2011. Three positions in the expenditure unit and certain positions in SCM remain vacant and should be filled as a matter of urgency.

The accounting system has been upgraded in December 2010 with the implementation of E-Venus. The system meets all accounting requirements and the reconciliations at year end were satisfactory.

The development of the GRAP 17 asset register progressed well and all assets have been unbundled into the various engineering components. The project was finalised in June 2012 and all assets further broken down into manageable components. We believe that the progress made with the asset register will improve the audit outcome of the municipality.

The vSMART integrate asset management system has been installed in the centralised Information Technology new secured building and access provided to staff responsible for the maintenance of the system. Training to users is progressing well while the staff of the Auditor-General will be trained during September 2012.

The Integrated Development Plan was totally revised and aligned with the Budget for 2012-2013 and the MTREF for 2012-2013 / 2014-2015.

The financial year ended with a surplus of R62,360,261

The surplus is due to the increase in the sale of water and the transfer of the conditions met on the Conditional Grants transferred to revenue.

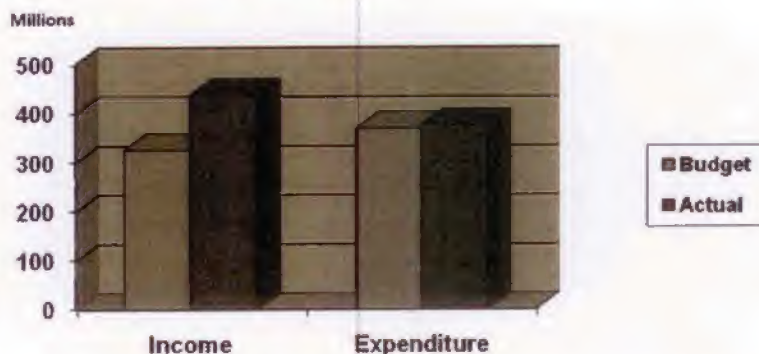
Cost recovery for the year decreased to 68% as the result of the Mogwase community's demand for zero accounts. The Council decided in July 2012 to write off all outstanding water accounts as at 31 May 2012. The condition is that credit control will be applied very strict in future which will hopefully result in the increase of payment levels. The

debt of State- and Provincial Departments decreased with nearly nine million rand and meetings are held regularly to resolve on the last accounts outstanding.

2. REVIEW OF OPERATING RESULTS

Details of the operating results per department and classification of income and expenditure are included in appendices D and E. A graphical presentation of the operating results is shown in the graph below:

OPERATING RESULTS 2011/2012



The overall operating results for the year ending 30 June 2011/2012 are as follows:

Description	Budget 2011/2012 R	Actual 2011/2012 R	Variance Actual/ Budget %	Actual 2010/2011 R
INCOME				
Operating income for the year	325 023 994	437 318 884	-34.55	305 072 384
Closing deficit	43 807 372			14 546 043
	368 831 366	437 318 884		319 616 427
EXPENDITURE				
Operating expenditure for the year	368 831 366	374 958 623	-1.67	319 619 427
Closing surplus		62 360 261		
	368 831 366	437 318 884	-1.67	319 619 427

The overspending on expenditure is due to the additional depreciation, bad debts and the rehabilitation of the Mogwase landfill site.

OPERATING INCOME 2011/2012

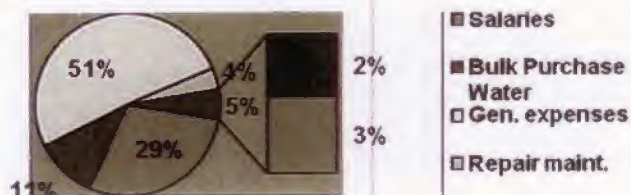
The amount received for Equitable Share also increased from R 179 million to R 203.8 million

The sale of water increased by R 24.4 million.

The increase in the sale of water is due to the implementation of the E-Venus financial system where the information is more reliable than the previous financial system where many information extracted from the system was questionable.

3. OPERATING EXPENDITURE 2011/2012

The graph below indicates the breakdown per main expenditure group before inter departmental charges.



The following shows the expenditure per grouping versus amounts budgeted:

Expenditure	Budget 2011/2012 R	Actual 2011/2012 R	Difference Actual/Budget 2011/2012 R	Actual 2010/2011 R
Remuneration	111 334 666	109 721 338	1 613 328	94 499 435
Debt Impairment	28 401 604	30 602 652	-2 201 048	20 632 033
Collection Costs				
Depreciation	67 993 395	76 684 740	-8 691 345	73 754 677
Repairs and Maintenance	20 670 590	14 001 736	6 668 854	12 283 851
Interest Paid (capital charge)	10 050 679	9 047 946	1 002 733	10 207 201
Contribution to funds	760 000	11 015 082	-10 255 082	7 951 225
Bulk purchases	35 000 000	39 992 456	-4 992 456	31 733 454
Loss on disposal of PPE		1 539	-1 539	
Contracted services	14 200 000	13 876 065	323 935	12 998 447
Contribution Capital expend	0	1 762 556	-1 762 556	844 873
General Expenses	80 420 432	68 252 513	12 167 919	54 711 231
Net expenditure	368 831 366	374 958 623	-6 127 257	319 616 427

SURPLUS FOR THE YEAR

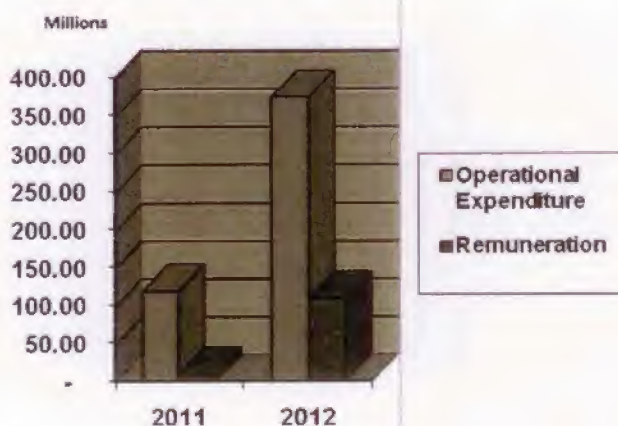
R 62 360 261

The surplus is due to the increase in the sale of water and the transfer of the conditions met on the Municipal Infrastructure Grant to revenue

The increase in the sale of water is due to the implementation of the E-Venus financial system where the information is more reliable than the previous financial system where many information extracted from the system was questionable.

The variation between the budgeted amount and the actual expenditure is due to saving on general expenditure items and the additional provisions for depreciation, debt impairment and the rehabilitation of the Mogwase landfill site.

3.1 REMUNERATION vs. OPERATING EXPENDITURE



The increase in remuneration expenditure from the 2010/2011 financial year to the 2011/2012 financial year is due to salary increases and disparities that was corrected.

The saving on expenditure of R 1.6 million on remuneration compared to the budget can be attributed to savings realized on vacancies not filled as well as vacancies filled at a later stage during the financial year.

The upper limits of salaries, allowances and benefits of different members of the council have been paid in terms of the remuneration of Public Bearers Act, 1988 (Act no. 20 of 1998) as promulgated in the Government gazette No 34869 dated 14 December 2011.

The salaries of the employees of the council has been paid in terms of the stipulations as contained in the salary and wages collective agreement of the South African Local Government Bargaining council for the 2011/2012 financial year.

3.2 GENERAL EXPENDITURE

SAVINGS

The following savings mainly contributed to the variation in budgeted and actual expenditure:

- Repair and Maintenance R 6,7 million

Various items were overspent due to the under provision for expenditure on the budget:

- Bulk purchases R 4.9 million

The following increases in expenditure contribute to the variation in actual expenditure during the 2010/2011 and 2011/2012 financial years:

- Audit Fees R 0,8million
- Depreciation R 2,9 million
- Electricity for Street Lights R3,0 million
- Legal Fees R4,0 million
- Printing and Stationery R0,9 million
- Provision for Debt Impairment R2,2 million
- Provision for Mogwase landfill site R8,7 million

3.3 CAPITAL CHARGES

An amount of R 10,05 million was provided for the servicing of existing external loans as well as the raising of new loans.

3.4 REPAIR AND MAINTENANCE

The saving on repair and maintenance is due to the lack of capacity in the Engineering Department.

3.5 CONTRIBUTIONS

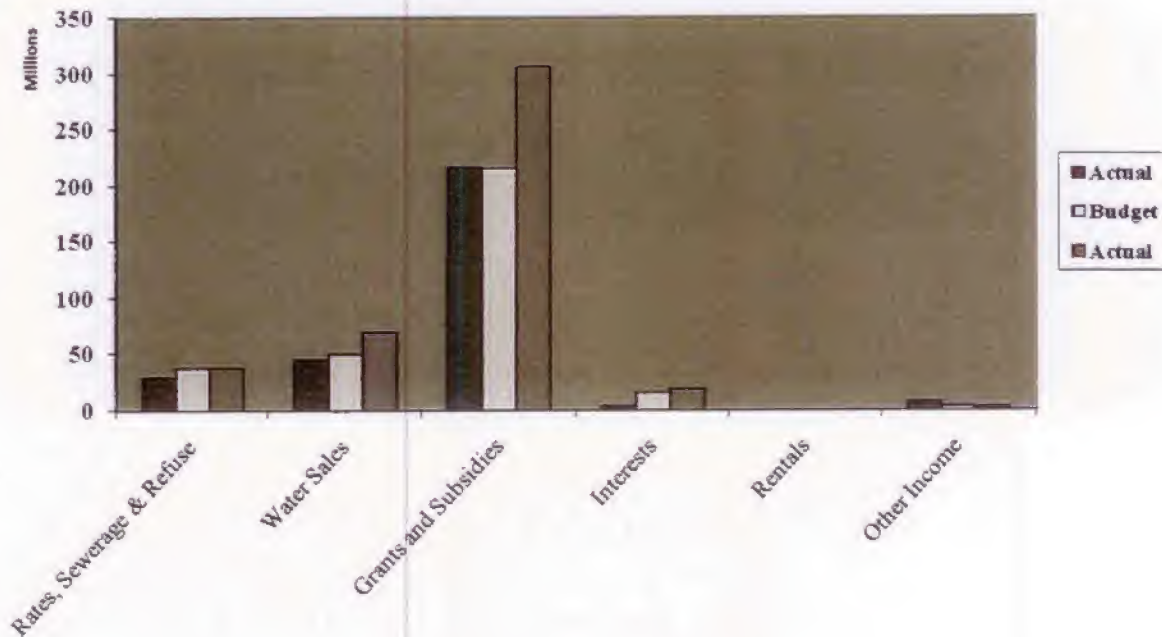
Provisions made for expenditure towards debt impairment and leave liabilities which were R 30.6 million and R 13,3 million respectively.

3.6 LESS: CHARGED OUT

The amount charged out represents administration cost and has no influence on the total expenditure

4. OPERATING INCOME

The following graph is a presentation of the different income types.



Income per income category is as follows:

INCOME	Budget 2011/2012 R'	Actual 2011/2012 R'	Variance 2011/2012		Actual 2010/2011 R'
			R'	%	
Assessment Rates, Sewerage and Refuse	38 279 696	37 914 619	-365 077	-0.95	30 311 282
Water Sales	50 600 000	69 520 289	18 920 289	1.38	45 062 869
Grants and subsidies	215 833 058	306 739 210	90 906 152	42.1	217 421 387
Interests	16 500 000	20 068 054	3 568 054	21.6	10 885 304
Other income	3 811 240	3 076 712	-734 528	-19.3	1 419 542
Totals	325 023 994	437 318 884	-112 294 890	34.55	305 070 384

4.1 USER LEVIED CHARGES:

ASSESSMENT RATES

The new Property Rates Act has been implemented as from 1 July 2008 which determined that property rate rates will be calculated on the improved value and no longer on the land and improvements respectively

OTHER USER CHARGES

Description	Budget 2011/2012 R'	Actual 2011/2012 R'	Variance 2011/2012 %	Actual 2010/2011 R'
Assessment rates	32 584 400	31 894 887	2.28%	28 478 669
Water Sales	50 600 000	69 520 290	37.4%	45 062 869
Sewerage charges	948 096	2 282 306	-240.73%	1 101 129
Refuse removal	4 747 200	3 737 426	21.3%	731 484
Totals	88 879 696	107 434 909	20.88%	75 374 151

4.2 TARIFF CHARGES LEVIED:

A new tariff structure for property rates has been implemented as from 1 July 2011.

4.3 GRANTS AND SUBSIDIES:

Description	2011/2012		2010/2011	
	Budget R'	Actual R'	Budget R'	Actual R'
Equitable Share	203 765 000	203 756 000	179 214 000	179 213 533
National grants	11 868 058	89 338 788	9 448 526	38 207 853
Provincial grants		13 244 422	397 000	
District Municipality	200 000	400 000		
Total	215 833 058	306 739 210	188 662 526	217 421 386

The variation in the actual amounts between the 2010/2011 and 2011/2012 financial years are due to the increase of the equitable share and the transfer of the Conditional Grants met to revenue.

4.4 TRADING SERVICES

The total water services operation was transferred on 1 July 2006 and the trading results are indicated under user charges.

5. MUNICIPAL DEBT

At the end of the financial year the amounts borrowed and outstanding were as follow:

Type of debt	2011/2012 R'	2010/2011 R'
Long-term loans	89 145 103	88 530 690
External funds: Total	89 145 103	88 530 690

6. ACCUMULATED FUNDS, RESERVES AND PROVISIONS

Detail of the reserves and provisions are stated in Notes 3 and 9.

Description	2011/2012 R'	2010/2011 R'
Provision for leave	13 305 888	9 216 275
Provision for Debt Impairment	90 618 778	60 344 986
Accumulated surplus/deficit	742 936 776	649 026 658

The increase in the Accumulated Surplus is due to the transfer of the Government Grant Reserve in terms of GRAP to the Accumulated Surplus Account.

7. DEBTORS

Details regarding the debtors are provided in Notes 10

The consumer debtors increased by R57 million.

The credit control measures for the recovering of outstanding debts will be strictly implemented

<i>Description</i>	2011/2012 R'	2010/2011 R'	2009/2010 R'
Debits levied	107 434 908	75 374 151	74 653 922
Balance on 1 July	112 655 114	95 641 853	76 089 159
Balance on 30 June	169 899 248	112 655 114	95 641 853
Average balance	141 277 181	104 148 484	85 865 506

8. CAPITAL EXPENDITURE AND FINANCING

As far as the capital expenditure is concerned, Council addressed the backlog in certain areas without neglecting the current assets. Backlogs in infrastructure were given a very high priority during the approval of the capital- and operating expenditure. In addition, the Council adhered to guidelines that National Treasury had set for capital expenditure while capital expenditure program was IDP driven. The expenditure incurred during the year in respect of fixed assets, amounted to R 94 631 300.

The table shows the distribution of the fixed assets according to the type of asset:

Type of Asset	Original Budget 2011/2012 R'	Actual 2011/2012 R'	Actual 2010/2011 R'
Land and Buildings	9 200 000	4 585 035	2 659 588
Infrastructure	152 683 784	72 980 403	31 143 833
Community Assets	49 032 059	12 313 968	5 971 155
Other Assets		4 751 894	1 237 813
Land Transfer	3 300 000		
Total	214 215 843	94 631 300	41 012 389

The above-mentioned fixed assets were financed from the following sources:

Type of finance	Budget 2011/2012 R'	Actual 2011/2012 R'	Actual 2010/2011 R'
External Loans	15 000 000	4 308 804	5 859 790
Capital Reserve Fund			
Grants	196 215 843	87 093 627	32 794 750
Own Revenue	3 000 000	3 228 869	2 357 848
General Capital			
	214 215 843	94 631 300	41 012 388

SUBSEQUENT EVENTS

9. INVESTMENTS

External investments on 30 June 2012 amounted to R 132 491 086 compared to R77 429 743 for 2010/2011.

INVESTMENTS AS AT 30 JUNE 2011/2012	
INSTITUTION	AMOUNT
ABSA Fixed Deposit-12 Months	211 425
ABSA Call Accounts	132 279 661
Total Investments	132 491 086

10. HOUSING

The council is acting as an agent for the North West Province for the building of RDP houses.

The property on which the houses are built belongs to the Traditional Authorities in that area and not to the council.

The houses will also be registered in the name of the beneficiary whom is receiving a subsidy from Provincial Government.

The money received from the Northwest Province is paid into a separate bank account from where the suppliers are being paid.

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, the Executive Committee, Municipal Manager, Councilors and Departmental Managers for the support they have given to the department during the 2011/2012 financial year. A special word of appreciation is extended to the team of the Budget and Treasury Office for the months of hard work, sacrifices and dedicated efforts during the financial year to enable us to finalize these financial statements. A special word of thanks to the HOU's: Expenditure and Revenue for their dedication and countless days and nights spent to achieve the goals. To the Managers that came in after hours to help with the final reconciliations please accept our appreciation.



Mr. H.L. Fourie
Acting Chief Financial Officer
Moses Kotane Local Municipality
30 August 2012

MOSES KOTANE LOCAL MUNICIPALITY

GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2012

SPEAKER

Councilor

Diale Ralesole Abram

MAYOR

Councilor

Mokati-Thebe Fetsang

MEMBERS OF THE EXECUTIVE COMMITTEE

Councilors

Mokati-Thebe Fetsang (Chair Person)

Tshethane D

Nkotswe N

Lesele K

Manganye T R

Mashimo R E

Motshabi C N

Motshegoe S K

Setou A

Tlabyane D R

MEMBERS OF THE COUNCIL

Councilors

1

Ndlovu H

2

Moyo F

3

Mkhandawiri L

4

Nhlapo L

5

Tau D

6

Moloi N

7

Ntshabele S

8

Leoto D

9

Motshegoa P

10

Zitha L

11

Matshereng N

12

Ramokoka A

13

Motlhaga R

14

Masilo J

15

Letlape A T

16

Pheto R

17

Manganye B

18

Radiokana M

19

Mekgwe J

20

Tshethane D

21

Vava S

22

Khunou M K

23

Nkotsoe N

24

Magodielo A

25

Pele J

26

Sekao H

27

Makgothi T

28

Lukhele RM

29

Moeng T

30

Monnakgotla C T

31

Monyatsi M

MOSES KOTANE LOCAL MUNICIPALITY

GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

MEMBERS OF THE COUNCIL: PROPORTIONAL

Councillors

Mokgalthe M M
Diale R A
Moraape S
Lephoto E
Moruwa E
Lesele K
Motshabi C N
Manganye T R
Motshegoe S K
Maretele J
Motsoenyane Z
Mashimo R E
Nondzaba M
Mashisi S N
Rakatane B
Matlapeng S S
Ramapotoka G
Matshaba M Z
Rasepae III M
Mngomezulu P
Sekhu S K
Moate L
Selotlego D J
Moatshe G D
Setou A
Thusi B
Mokati-Thebe Fetsang
Tlabyane D R
Deleki N
Tshite L M J

GRADING OF LOCAL AUTHORITY

4

MUNICIPAL MANAGER

Ms S R Dince

ACTING CHIEF FINANCIAL OFFICER

Mr. H L Fourie

AUDITOR

The Auditor General of South Africa

BANKERS

ABSA Bank Rustenburg

REGISTERED OFFICE

Civic Centre
Mogwase
314

POSTAL ADDRESS

Private Bag X 1011
Mogwase
0314

CONTACT INFORMATION

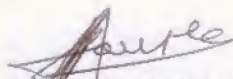
Telephone : (014) 555 1300
Fax : (014) 555 6368
Email : municipalmanager@moseskotane.gov.za

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 3 to 76 were approved by the Municipal Manager on 30 August 2012. It will be presented to the Executive Committee and Council.



MUNICIPAL MANAGER
Ms S R Dince



ACTING CHIEF FINANCIAL OFFICER
Mr. H L Fourie

MOSES KOTANE LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

NET ASSETS AND LIABILITIES	Notes	2012 R	2011 R
NET ASSETS		742,936,776	649,026,658
Accumulated Surplus		742,936,776	649,026,658
NON - CURRENT LIABILITIES		86,921,299	77,502,927
Long - Term Liabilities	1	82,361,615	77,202,927
Non - Current Provisions	2	4,559,684	300,000
CURRENT LIABILITIES		158,667,885	128,222,500
Provisions	2	13,305,888	9,216,275
Creditors	3	29,749,630	29,451,909
Unspent Conditional Grants and Receipts	4	93,492,095	75,436,442
VAT	5	15,336,784	2,790,111
Current Portion of Long- Term Liabilities	1	6,783,488	11,327,763
TOTAL NETT ASSETS AND LIABILITIES		988,525,960	854,752,085
ASSETS			
NON - CURRENT ASSETS		759,478,335	693,325,946
Property, Plant and Equipment	6	759,266,910	693,127,425
Investment	7	211,425	198,521
CURRENT ASSETS		229,047,625	161,426,139
Inventory	8	14,355,718	14,670,848
Consumer Debtors	9-10	79,280,470	52,310,128
Other Debtors	11	1,267,508	8,458,648
Cash and cash equivalents	30	134,143,929	85,986,515
TOTAL ASSETS		988,525,960	854,752,085

MOSES KOTANE LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
REVENUE			
Revenue from Non-Exchange Transactions			
Property Rates	14	31,894,857	28,478,669
Fines	App E	1,130,560	0
Government Grants and Subsidies	16	306,739,210	217,421,387
Revenue from Exchange Transactions			
Service Charges	15	75,540,021	46,895,482
Sales of Housing Stands	App E	420,289	162,809
Interest earned - external investment	22	6,861,310	3,889,005
Interest earned - outstanding debtors	22	13,208,299	6,607,814
Interest earned - Primary Bank Account	22	198,445	378,485
Commission Received	App E	80,195	59,508
Other Income	17	1,445,568	1,197,224
TOTAL REVENUE		437,318,884	305,070,384
EXPENDITURE			
Employee related costs	18	93,939,934	81,180,150
Remuneration of Councilors	20	15,781,404	13,339,285
Debt Impairment	10	39,602,652	20,632,033
Depreciation and Amortization	31	75,877,815	73,754,677
Asset Impairment	App B	807,125	0
Repairs and Maintenance		14,001,736	12,283,851
Finance Costs	21	9,047,946	10,207,201
Bulk Purchases Water	23	39,982,458	31,733,454
Contracted services	24	13,876,065	12,986,447
Contribution to Funds		11,015,082	7,951,225
General Expenses	26	68,252,513	54,711,231
Contribution to Capital Expenditure		1,762,558	644,873
Loss on disposal of property, plant and equipment		1,538	0
TOTAL EXPENDITURE		374,958,623	319,616,427
SURPLUS (DEFICIT) FOR THE YEAR		62,360,261	-14,546,043

Refer to Appendix E for the comparison with the approved budget

MOSES KOTANE LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Accumulation Surplus / (Deficit) R	Total R
2011		
Balance at 30 June 2011	705,963,706	705,963,706
Correction of error (refer to note 27)	-40,845,302	-40,845,302
Prior period error (refer to note 28)	-14,166,950	-14,166,950
Transfers from Government Grant Reserve	12,621,247	0
Restated balance	663,572,701	663,572,701
Surplus /Deficit for the year	-14,546,043	-14,546,043
Balance at 30 June 2011	649,026,658	649,026,658
2012		
Restated balance	649,026,658	649,026,658
Surplus / (Deficit) for the year	62,360,261	62,360,261
Surplus cash used to purchase PPE	3,440,371	3,440,371
Transfers from Government Grant Reserve	46,942,110	46,942,110
Other movements	-18,832,624	-18,832,624
Balance at 30 June 2012	742,936,776	742,936,776

MOSES KOTANE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Cash receipts from ratepayers, government and other		415,528,820	273,448,592
Payments			
Cash paid to suppliers and employees		-267,717,116	-178,650,571
		147,811,704	94,798,021
Interest received	22	20,068,054	10,476,819
Interest paid	21	-9,047,946	-10,207,201
Correction of error - restatement of VAT		-4,515,526	0
NET CASH FLOW FROM OPERATION ACTIVITIES		154,316,286	95,067,639
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	-94,631,300	-41,012,388
Proceeds on disposal of property, plant and equipment		85,106	0
Loss on disposal of property, plant and equipment		-652,284	0
Increase in non- current investment		-12,904	-14,489
Changes in PPE as result of GRAP 17 compliance		-11,561,903	7,184,245
NET CASH FLOW FROM INVESTING ACTIVITIES		-106,773,285	-33,842,632
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/ (decrease) in long term liabilities		614,413	-11,459,671
Correction of error		0	10,807,282
NET CASH FLOW FROM FINANCING ACTIVITIES		614,413	-652,389
NET DECREASE IN CASH AND CASH EQUIPMENT		48,157,414	60,572,618
Cash and cash equivalents at the beginning of the year		85,986,515	25,413,897
Cash and cash equivalents at the end of the year		134,143,929	85,986,515

**MOSES KOTANE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012
ACCOUNTING POLICIES**

1 Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognized Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Basis of preparation

The annual financial statements have been prepared on an actual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognized when they occur and are recorded in the financial statements within the period to which they related. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by an accounting standard.

The annual financial statements have been prepared in accordance with the Standards of General Recognized Accounting Practiced (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008.

These standards are summarized as follows:

GRAP 1:	Presentation of financial statements
GRAP 2:	Cash flow statements
GRAP 3:	Accounting policies, changes in accounting estimates and errors
GRAP 4:	The effects of changes in foreign exchange transactions
GRAP 5:	Borrowing cost
GRAP 6:	Consolidated and separate financial statements
GRAP 7:	Investments in associates
GRAP 8:	Interest in joint ventures
GRAP 9:	Revenue from exchange transactions
GRAP 10:	Financial reporting in hyperinflationary economies
GRAP 11:	Construction contracts
GRAP 12:	Inventories
GRAP 13:	Leases
GRAP 14:	Events after reporting date
GRAP 16:	Investment property

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1.1 Basis of preparation (continued)

GRAP 17:	Property, plant and equipment
GRAP 19:	Provisions, contingent liabilities and contingent assets
GRAP 100:	Non-current assets held for sale and discontinued operations
GRAP 101:	Agricultural
GRAP 102:	Intangible assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and other applicable disclosures have been based on the South African Statements of General Accepted Accounting Practices (SA GAAP) including any other interpretations of such statements issued by the Accounting Practice Board.

Accounting framework for 2011/2012

There are no general exemptions from specific standards or aspects of account standards and the Municipality comply fully with the accounting framework set out in Directive 5 of the Accounting Standards Board.

Consideration was given to Accounting Standards approved but not yet effected

A number of new standards are not yet effective for the year ended 30 June 2012, and are presented below:

GRAP 21:	Impairment of non-cash -generating assets
GRAP 23:	Revenue from non-exchange transactions (taxes and transfers)
GRAP 25:	Employee related cost
GRAP 26:	Impairment of cash -generating assets
GRAP 103:	Heritage assets
GRAP 104:	Financial instruments

All the above standards where applicable, will be complied with in the financial statements once the effective date has been reached.

Preliminary investigations indicated that the impact of the standards on the financial statements will be minimal, except for the application of GRAP 25' Employee benefits and additional disclosures.

IGRAP 1 has also been considered, but since the Revenue from Exchange Transactions constitutes an insignificant contribution to the revenue of the municipality, this standard will have a negligible effect on the financial statements.

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1.1 Basis of preparation (continued)

A summary of the significant accounting policies, which have been consistently applied, is disclosed below:

The following GRAP standards have been earlier adopted and implemented

- GRAP 18: Segment reporting
- GRAP 24: Presentation of budget information
- GRAP 25: Employee related cost

1.2 Going Concern

These annual financial statements have been prepared on a going concern basis.

1.3 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates.

Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Trade receivables / Trade and other receivables

The municipality assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The carrying values of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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1.3 Significant judgments and sources of estimation uncertainty (continued)

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors. Management used fair value less cost to sell to determine the recoverable (service) amount of tangible assets with an indefinite useful life.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation. Additional disclosure of these estimates of provisions are included in note 2.1 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Provision for impairment

On receivables an impairment loss is recognized in surplus and deficit when there is objective evidence that it is impaired. The provision for impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognized as an asset when:

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1.4 Property, plant and equipment (continued)

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an item of property, plant and equipment is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired non-monetary asset's fair value is not determinable, its deemed cost is the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or to replace a part of, or service it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the

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1.4 Property, plant and equipment (continued)

cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognized.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

After recognition as an asset, an item of property, plant and equipment (Land) whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Infinite
Buildings	10 - 50 years
Infrastructure assets	15 - 100 years
Community assets	7 - 100 years
Heritage assets	Indefinite
Other items of PPE	2 - 10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment held under finance lease are depreciated over their expected useful lives on the same basis as owned items of property, plant and equipment or, where shorter, the term of the relevant lease.

Items of property, plant and equipment are derecognized on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognized in surplus or deficit when the item is derecognized.

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1.4 Property, plant and equipment (continued)

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognized in surplus or deficit when the compensation becomes receivable.

1.5 Financial instruments

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The municipality recognises financial assets using trade date accounting.

Initial measurement

The municipality measures a financial asset and financial liability initially at its fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments designated as at fair value through surplus or deficit.
- Financial instruments held for trading.
- Financial instruments available for sale.
- Financial instruments held to maturity.
- Financial instruments as loans and receivables.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, and reference to the current fair value of another instrument that is substantially the same. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as

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1.5 Financial instruments (continued)

little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto.

Debtors

Debtors are recognized at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors.

The provision is made in accordance with IAS 39:64 whereby the recoverability of debtors is assessed individually and then collectively after that assets with similar credit risks characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in a group.

Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period.

Government accounts are not provided for as such accounts are regarded as receivable.

Cash and cash equivalents

These are initially and subsequently recorded at fair value. For cash flow purposes, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. These are subject to an insignificant risk of changes in value.

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1.5 Financial instruments (continued)

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. The instrument is then reclassified from amortized cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognized in surplus or deficit.

For financial assets and financial liabilities measured at amortized cost or cost, a gain or loss is recognized in surplus or deficit when the financial asset or financial liability is derecognized or impaired, or through the amortization process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortized cost:

If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognized in surplus or deficit.

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1.5 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed directly OR by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognized in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Derecognition

Financial assets

The entity derecognizes financial assets using trade date accounting.

The entity derecognizes a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognize the asset; and
 - recognize separately any rights and obligations created or retained in the transfer

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognized and derecognized is recognized in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognized in surplus or deficit.

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1.5 Financial instruments (continued)

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognized as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognized as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Creditors

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognized as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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1.6 Leases (continued)

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. The difference between the amounts recognized as an expense and the contractual payments are recognized as an operating lease asset or liability.

Any contingent rent is recognized separately as an expense when paid or payable and are not straight-lined over the lease term.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realizable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realizable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the

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1.7 Inventories (continued)

individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expenses are recognized when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realizable value or current replacement cost and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value or current replacement cost, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Unsold properties are measured fair value at date of valuation roll

1.8 Impairment of assets

1.8.1 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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1.8 Impairment of assets (continued)

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognized during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognized immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortization) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Recognition and measurement (cash-generating unit)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used

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1.8 Impairment of assets (continued)

internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognized for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its

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1.8 Impairment of assets (continued)

recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8.2 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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1.8.2 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognized during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognized immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortization) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining

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1.8.2 Impairment of non-cash-generating assets (continued)

useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognized immediately in surplus or deficit.

After a reversal of an impairment loss is recognized, the depreciation (amortization) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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1.9 Employee benefits (continued)

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.10 Provisions and contingencies

Provisions are recognized when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement is recognized when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognized for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as an interest expense.

A provision is used only for expenditures for which the provision was originally recognized.

Provisions are not recognized for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognized and measured as a provision.

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1.11 Revenue

1.11.1 Revenue from exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognized on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the

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1.11.1 Revenue from exchange transactions (continued)

significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Service revenue is recognized by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Service revenue relating to water are recognized based on consumption. Meters are read on a monthly basis and are recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognized as revenue in the invoicing period.

Service revenue relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service revenue relating to sewerage and sanitation are based on the number of sewerage connections on each developed property using tariffs approved from Council and are levied monthly.

Service revenue from the application of the approved tariff of charge is recognized when the relevant service is rendered by applying the relevant gazetted tariff.

Revenue from public contributions are recognized when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the condition, a liability is recognized.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognized when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognized, in surplus or deficit, using the effective interest rate method.

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1.11.2 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Fines constitute spot fines and summonses and are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Recognition

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As the municipality satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognized by the municipality.

When, as a result of a non-exchange transaction, the municipality recognizes an asset, it also recognizes revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognize a liability. Where a liability is required to be recognized it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognized

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1.11.2 Revenue from non-exchange transactions (continued)

as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognized as revenue.

Transfers

Apart from services in kind, which are not recognized, the municipality recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognized as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the collecting entity.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognized when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognized are processed or additional rates revenue is recognized.

Gifts and donations, including goods and services in-kind

Gifts and donations, including goods in-kind, are recognized as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind are not recognized.

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1.11.2 Revenue from non-exchange transactions (continued)

Recovery of unauthorized, irregular, fruitless and wasteful expenditure

Revenue from recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognized when the recovery thereof from the responsible councilors or officials is virtually certain.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the municipality has complied with any of the conditions embodied in the agreement. To the extent that the conditions have not been met a liability is recognized.

1.12 Investment income

Investment income is recognized on a time-proportion basis using the effective interest method.

1.13 Borrowing costs

The municipality capitalises borrowing costs incurred that are directly attributable to the Acquisition construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 April 2011, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 April 2011) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2012 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purposes of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset.

The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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1.15 Unauthorized expenditure

Unauthorized expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorized expenditure is recognized as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Irregular expenditure

Irregular expenditure as defined in section 125 of the MFMA is expenditure incurred in contravention of, or that is not in accordance with:

- a requirement of the PFMA; or
- a requirement of the State Tender Board Act (Act No.86 of 1986), or any regulations made in terms of the Act; or
- a requirement in any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalization of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, the note to the financial statements must be updated to reflect this.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or

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1.16 Irregular expenditure (continued)

accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements.

The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognized as an Expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Budget information

A reconciliation between the statement of financial performance and the budget has been included in the annual financial statements, as the recommended disclosure as determined by National Treasury, as the annual financial statements and the budget are not on the same basis of accounting. Refer to Appendix E.

1.19 Presentation of currency

These annual financial statements are presented in South African Rand.

1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.21 Related parties

Individuals as well as their close family members, and/or entities are related parties if one of the party has the ability, directly or indirectly to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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1.22 Government Grant Reserve

When items of property, plant & equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant & equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant & equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant & equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.23 Capital Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognized in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.

Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Contract that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

Other commitments for contracts be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

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1.24 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
1. Long Term Liabilities		
Annuity Loans App A	89,145,103	88,530,690
Sub- total	89,145,103	88,530,690
Less : Current portion transferred to current liabilities	6,783,488	11,327,763
Total External Loans	<u>82,361,615</u>	<u>77,202,927</u>
Refer to Appendix A for more detail on long- term liabilities		
2. Provisions		
Accumulated leave of employees of the council	13,305,888	9,216,275
Landfill Site short term portion	4,559,684	300,000
Total Provisions	<u>17,865,572</u>	<u>9,516,275</u>
Landfill Site long term portion	12,010,511	
The provision for accumulated leave of employees of the council is based on the actual leave days available at the reporting date calculated on the annual salary of the relevant employees		
The provision for long service awards is determined according to the stipulations of the SALGBC		
The provision for the Mogwase landfill site is determined by the Engineer allocated to the municipality from DBSA to assist the Infrastructure department		
3. Creditors		
Trade creditors	14,594,856	14,406,749
Payments received in advance	4,221,147	3,358,073
Sundry Creditors Suspense	5,913,829	10,000,295
Housing	554,396	1,686,792
Retention	4,465,402	
Total Creditors	<u>29,749,630</u>	<u>29,451,909</u>

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R
4. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
4.1 Conditional Grants from other spheres of Government		
MIG Grants	91,696,192	71,599,955
Drought Relief	439,487	439,487
Expanded Public Works Programme	483,581	397,000
Provincial Infrastructure Grant	146,524	3,000,000
Mogwase Library	495,246	0
Mabesekrasi Library	229,065	0
Total Contribution Grants and Receipts	93,492,095	75,436,442
See Note 16 for reconciliation of grants from other spheres of government.		
5. VAT		
VAT Payable	15,336,784	2,790,111

The opening balance has been adjusted due to the non payment of claims submitted to SARS
VAT is payable on the receipt basis. Only once payment is received from debtors VAT is paid over to SARS

6. Property, Plant and Equipment

30 JUNE 2012

Reconciliation of Carrying Value	Land Assets R	Buildings Assets R	Infrastructure Assets R	Community Assets R	Heritage Assets R	Other Assets R	Total R
Carrying value at 1 July 2011	8,578,049	39,357,537	590,314,480	42,850,104	14,000	12,013,255	693,127,425
Cost	8,578,049	43,093,974	1,102,054,720	58,596,769	14,000	44,732,313	1,295,469,825
Accumulated depreciation		-3,736,437	-511,740,240	-14,146,665	0	-32,719,058	-592,342,400
Acquisitions		84,109	42,195,539	3,884,494		4,751,894	50,916,036
Capital under Construction		4,500,926	30,784,864	8,429,474			43,715,264
Re Classification of Cost							
Disposals on assets						-777,499	-777,499
Adjustment Grap 17 Implementation cost		662,346	44,447,141	2,658,513			47,768,000
Adjustment Grap 17 Implementation		-26,494	-3,509,776	-219,860			-3,756,130
Depreciation on disposals						690,854	690,854
Depreciation	0	-1,724,397	-62,669,044	-3,945,499		-4,116,067	-72,455,007
Prior period error		-140,991	1,020,782	-34,699			845,092
Correction of error on cost							
Re Classification of Depreciation							
Impairment		-508,682		-298,443			-807,125
Prior period error							0
Accumulated depreciation		-5,628,319	-578,898,278	-18,346,723		-36,144,271	-637,017,591
Carrying values at 30 June 2012	8,578,049	42,204,354	642,583,986	53,324,084	14,000	12,562,437	759,266,910
Cost	8,578,049	46,341,355	1,219,482,264	71,899,256	14,000	48,706,708	1,397,091,626
Impairment		-508,682		-298,443			-807,125
Accumulated depreciation		-5,628,319	-578,898,278	-18,346,723	0	-36,144,271	-637,017,591

The restated balance of land assets (Community Assets) is due to the correction of cost where the valuation roll was used for the 2008 financial year instead of the 2005 valuation roll when the properties were transferred to the municipality
The opening balance was restated with the amount of R5 890 866

The opening balance of the cost of buildings was restated with the amount of R1 129 124 due to the implementation of GRAP 17
The opening balance of the cost of infrastructure assets was restated with R7 851 688 and depreciation with R3 713 591 due to the implementation of GRAP 17
The opening balance of the cost of community assets was restated with R3925 632 and depreciation with R975 589 due to the implementation of GRAP 17

MOSES KOTAME LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

6. Property, Plant and Equipment(Continued)

30 JUNE 2010
Reconciliation of Carrying Value

	Land Assets	Buildings Assets	Infrastructure Assets	Community Assets	Heritage Assets	Other Assets	Total
	R		R	R	R	R	R
Carrying value at 1 July 2010	20,172,924	35,446,740	628,749,037	44,630,854	14,000	17,270,972	726,111,603
Cost		41,563,510	1,078,762,575	51,418,246	14,000	43,484,500	1,215,252,831
Accumulated depreciation		-6,116,770	-450,013,538	-6,787,392	0	-26,223,528	-489,141,228
Acquisitions		2,659,588	31,143,833	5,971,155	0	1,237,813	41,012,389
Re Classification of Cost				-92,632			
Depreciation		-1,392,720	-65,440,292	-1,906,370	0	-8,495,530	-75,234,912
Prior period error	-11,594,875	-2,655,439	3,713,590	975,589			-9,561,135
Prior period error Assets		-1,129,124	-7,851,688	-300,000			
Re Classification of Depreciation		6,428,492		-6,428,492			
Accumulated depreciation	0	-10,164,829	-515,453,830	-8,683,762	0	-32,719,058	-573,937,275
Carrying values at 30 June 2011	8,578,049	39,357,537	590,314,480	42,850,104	14,000	12,013,255	693,127,425
Cost	8,578,049	43,093,974	1,102,054,720	50,996,789	14,000	44,732,313	1,255,469,825
Accumulated depreciation	0	-3,736,437	-511,740,240	-14,146,685	0	-32,719,058	-562,342,400

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R	
7. Investments			
Financial Instruments			
ABSA Fixed Deposit	211,425	198,521	
	<u>211,425</u>	<u>198,521</u>	
An amount of R107 700 of the investment is ceded to Eskom serving as a electricity deposit at the Civic Centre			
8. Inventory			
Maintenance Materials - at cost	2,779,030	3,103,588	
Water at Cost	60,088	50,660	
Unsold Properties held for resale	11,516,600	11,516,600	
Total Inventory	<u>14,355,718</u>	<u>14,670,848</u>	
The restated balance of the unsold properties held for resale is due to the correction of cost where the valuation roll was used for the 2008 financial year instead of the 2005 valuation roll when the properties were transferred to the municipality			
9. Consumer Debtors	Gross Balances R	Provision for Debt impairment R	Net Balance R
As at June 2012			
Service debtors			
Rates	49,186,534	28,296,658	20,889,876
Water	104,265,688	55,291,873	48,973,815
Refuse	8,407,708	4,527,468	3,880,240
Sanitation	4,508,275	2,502,779	2,005,496
Water consumption from last reading until 30 June 2012	3,531,043		3,531,043
Total	<u>169,899,248</u>	<u>90,618,778</u>	<u>79,280,470</u>

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

10. Consumer Debtors	Gross Balances R	Provision for Debt Impairment R	Net Balance R
As at June 2011			
Service debtors	112,655,114	-60,344,986	52,310,128
Total	112,655,114	-60,344,986	52,310,128
(Rates, Water, and Sewerage) : Ageing			
		2012 R	2011 R
Current(0-30days)		15,741,867	10,956,000
31 -60 DAYS		8,108,200	5,844,941
61-90 Days		8,111,348	4,494,963
91-120 Days		139,936,833	91,559,210
		-90,618,778	-60,344,986
Total		79,280,470	52,310,128
Summary of Debtors by Customer Classification	Consumers	Industrial/ Commercial	National and Provincial Government
30 June 2011	R	R	R
Current 0-30 Days	5,986,579	4,653,639	315,782
31 -60 DAYS	3,662,314	1,584,259	196,368
61-90 Days	2,941,067	1,352,393	201,503
91-120 Days	51,324,721	31,755,776	8,478,713
Sub Total	64,114,681	39,346,067	9,194,366
Less - Provision for debt impairment	-60,344,986		
Total debtors by customer classification	3,769,695	39,346,067	9,194,366
Summary of Debtors by Customer Classification	Consumers	Industrial/ Commercial	National and Provincial Government
30 June 2012			
Current(0-30days)	5,284,512	10,082,769	374,586
31 -60 DAYS	4,773,334	3,177,638	155,228
61-90 Days	4,450,320	1,507,485	153,563
91-120 Days	90,996,458	43,403,924	5,539,451
	105,504,624	58,171,796	6,222,828
Less - Provision for debt impairment	-77,818,000	-12,800,778	
Total debtors by customer classification	27,686,624	45,371,018	6,222,828
Reconciliation of provision for impairment		2012 R	2011 R
Balance at the beginning of the year		60,344,986	39,741,083
Contribution to provision		30,602,652	20,803,903
Bad debts written off against provision		-328,860	
Reversal of provision			
Balance at the end of the year		90,618,778	60,344,986
11. Other Debtors			
Sundry Debtors		469,588	468,467
Suspense Debtors		436,064	7,514,929
Sale of stands Unit 5 Mogwase		361,856	361,856
Sale of stands		0	113,395
Total Other Debtors		1,267,508	8,458,648
12. Call Investment Deposits			
ABSA Call Account Moses Kotane Local Municipality	90 5777 9477	25,518,114	5,851,105
ABSA Call Account MIG	40 6677 8588	92,627,895	67,458,797
ABSA Call Account Extension of the Civic Centre	40 6723 1195	12,459,058	3,288,538
ABSA Call Account Water and Sanitation Project	40 7270 1220	1,566,199	624,716
ABSA Call Account Housing Projects	40 6782 2645	8,395	8,086
Total Call investments		132,279,661	77,231,222

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R
13. Bank, Cash and Overdraft Facilities		
The municipality has the following bank accounts		
Current Account (Primary Bank Account)		
ABSA Rustenburg Branch Account Number: 405 041 4471		
Cash book balance at beginning of year	8,337,733	17,213,899
Cash book balance at end of year	1,065,017	8,337,733
Bank Statement balance at beginning of year	4,345,267	13,246,235
Bank Statement balance at end of year	1,579,795	4,345,267
Housing Account		
Account Number: 405 921 9109		
Cash book balance at beginning of year	130,366	439,782
Cash book balance at end of year	552,944	130,366
Bank Statement balance at beginning of year	130,366	439,782
Bank Statement balance at end of year	552,944	130,366
Traffic Account		
Account Number: 407 011 8019		
Cash book balance at beginning of year	281,992	33,090
Cash book balance at end of year	243,997	281,992
Bank Statement balance at beginning of year	281,992	33,090
Bank Statement balance at end of year	243,997	281,992
Petty Cash	2,310	5,202
Total Bank Balance	1,864,268	8,755,293
Securities Held at ABSA		
General and special notarial bond dated 10/12/2012 on movable equipment		
Unlimited cession dated 23/11/2001 of income streams		
First CCMB dated 27/06/2007 for R1 520 000 over stand 739		
Mogwase Unit 2		

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R
14. Property Rates		
Actual		
Residential	928,214	889,152
Commercial	3,309,801	2,676,189
State	5,487,495	4,856,512
Holiday Resorts	20,721,996	18,690,616
Mining	1,447,380	1,366,200
Total Property Rates	<u>31,894,887</u>	<u>28,478,669</u>
Valuations		
Residential	599,816,342	308,945,966
Commercial	96,617,402	354,938,000
Industrial	173,489,000	-
State	144,936,000	565,907,784
Churches	2,171,000	2,171,000
Mining	198,000,000	198,000,000
Other Holiday Resorts	169,533,000	-
Sun City	503,187,000	424,187,000
Municipal	115,911,000	154,771,000
Farms and Tribal Land	332,335,456	351,465,000
Eskom Servitudes	154,005,000	15,405,000
Agriculture	154,238,000	0
Total Property Valuations	<u>2,644,239,200</u>	<u>2,375,790,750</u>
15. Service Charges		
Sale of water	69,520,289	45,062,869
Refuse removal	3,737,426	731,484
Sewerage and sanitation charge	2,282,306	1,101,129
	<u>75,540,021</u>	<u>46,895,482</u>

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R
16. Government Grant and Subsidies		
Equitable share	203,756,000	179,213,533
MIG Grant	82,657,163	32,884,854
Municipal Systems Improvement Grant	1,000,000	1,200,000
Finance Management Grant	1,250,000	1,000,000
Expanded Public Works Programme Grant	1,024,419	0
DWA Operating and Maintenance Grant	2,542,000	2,723,000
Mogwase Libraries Grant	170,935	400,000
Project Management Unit	1,718,690	0
Provincial Infrastructure Grant	7,715,250	0
Mogwase Libraries Grant	4,504,753	0
Bojanala Platinum District Municipality	400,000	0
Total Government Grants and Subsidies	306,739,210	217,421,387
16.1 Equitable share		
In terms of the Constitution this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy equal to their monthly account with a maximum water consumption of 6 kilolitres.		
All household consumers are receiving a monthly water subsidy of 6 kilolitres		
16.2 MIG Grant		
Balance unspent at beginning of year	71,599,955	19,629,108
Current year receipt	102,056,000	84,855,000
Conditions met - transferred to revenue	-78,570,805	-32,884,854
Incorrect system posting during 2011 - To be corrected in subsequent year	699,400	701
Retention	-4,086,358	0
Conditions still to be met - transferred to liabilities	91,698,192	71,599,955
16.3 Municipal System Improvement Grant		
Balance unspent at the beginning of year	0	0
Current year receipts	1,000,000	1,200,000
Conditions met - transferred to revenue	-1,000,000	-1,200,000
Conditions still to be met	0	0
16.4 Finance Management Grant		
Balance unspent at the beginning of year	0	0
Current year receipts	1,250,000	1,000,000
Conditions met - transferred to revenue	-1,250,000	-1,000,000
Conditions still to be met	0	0
16.5 Expanded Public Works Programme Grant		
Balance unspent at the beginning of year	397,000	397,000
Current year receipts	1,111,000	0
Conditions met - transferred to revenue	-1,024,419	0
Conditions still to be met - transferred to liabilities	483,581	397,000
16.6 DWAF Operating and Maintenance Grant		
Balance unspent at the beginning of year	0	0
Current year receipts	2,542,000	2,723,000
Conditions met - transferred to revenue	-2,542,000	-2,723,000
Conditions still to be met	0	0
16.7 Mogwase Libraries Grant		
Balance unspent at the beginning of year	0	0
Current year receipts	400,000	400,000
Conditions met - transferred to revenue	-170,935	-400,000
Conditions still to be met	229,065	0
16.8 Provincial Infrastructure Grant		
Balance unspent at the beginning of year	3,000,000	0
Current year receipts	4,861,774	3,000,000
Conditions met - transferred to revenue	-7,715,250	0
Conditions still to be met	146,524	3,000,000
16.9 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act (Act no of 2011)		
The equitable share will increase by 10,6% in the 2012/2013 financial year		
and the MIG allocation will be increased by 6,5% in the 2013/2014 financial year.		

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012	2011
	R	R
16.10 Mogwase Libraries Grant		
Balance unspent at the beginning of year	0	0
Current year receipts	5,000,000	400,000
Conditions met - transferred to revenue	-4,504,753	-400,000
	<u>495,247</u>	<u>0</u>
Conditions still to be met		
16.11 DWA Operating and Maintenance Grant		
Balance unspent at the beginning of year	0	0
Current year receipts	2,542,000	2,723,000
Conditions met - transferred to revenue	-2,542,000	-2,723,000
	<u>0</u>	<u>0</u>
Conditions still to be met		
16.1 Bojanala Platinum District Municipality		
Balance unspent at the beginning of year	0	0
Current year receipts	400,000	0
Conditions met - transferred to revenue	-400,000	0
	<u>0</u>	<u>0</u>
Conditions still to be met		
17. Other Income		
Other	73,937	174,339
Photo Copies	1,500	7,535
Clearance Certificates	5,719	5,559
Refund LGSETA	618,440	215,439
Water Connections	263,490	469,608
Transfer MKDA	5,178	0
Advertising	49,815	50,489
Cemetery Fees	16,210	7,226
Property Transfer Fees	300	3,280
Building Inspection Plan Fees	90,301	79,415
Tender Document Sales	309,562	182,463
Blocked Drains	1,674	1,871
Surplus on Inventory	9,442	0
Total Other Income	<u>1,445,568</u>	<u>1,197,224</u>
18. Employee Related Costs		
Employee related costs - salaries and wages	66,123,240	59,967,660
Employee related costs - contribution for UIF,pension and medical aids	16,777,817	15,297,479
Travel, motor car,accomodation,subsistence and other allowances	7,109,777	2,022,070
Housing benefits and allowances	384,874	273,369
Overtime payment	3,544,226	3,599,572
Total	<u>93,939,934</u>	<u>81,160,150</u>
Remuneration of the Municipal Manager		
Annual Remuneration	621,853	707,245
Car allowance	45,000	108,000
Contribution to UIF,medical and pension funds	128,654	161,625
Total	<u>795,507</u>	<u>976,870</u>

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012	2011		
	R	R		
19. Remuneration of the Chief Finance Officer				
Annual remuneration	853,974	816,902		
Car allowance	64,200	64,200		
Contribution to UIF, medical and pension funds	1,547	1,547		
Total	919,721	882,649		
Remuneration of Individual Executive Directors	Technical Service	Corporate Services	Community Services	Strategic Management
30 June 2012				
Annual Remuneration	580,544	625,219	843,913	575,407
Car allowance	78,000	108,000	0	96,000
Contribution to UIF, medical and pension funds	158,059	83,384	172,712	145,196
Total	816,603	816,603	816,625	816,603
30 June 2011				
Annual Remuneration All Directors				2,303,800
Car allowance All Directors				312,000
Contribution to UIF, medical and pension funds All Directors				508,452
Total				3,124,252
20. Remuneration Of Councilors	2012	2011		
	R	R		
Mayor's allowance	384,036	346,510		
Speaker	319,418	114,393		
Executive Committee member's allowance	2,779,237	2,389,331		
Single Whip	299,296	424,648		
Councilor's allowance	5,824,484	5,032,890		
Travelling allowance	3,745,934	3,339,721		
Telephone	797,427	702,988		
Pension Fund Contribution	1,440,993	759,852		
Medical Aid Contribution	190,579	248,952		
Total Councilors' Remuneration	15,781,404	13,339,285		
Refer to annexure I for details				
21. Interest Paid				
Long-term liabilities	9,047,946	10,207,201		
Total Interest on External Borrowings	9,047,946	10,207,201		
22. Interest Received				
Interest received on Investments	6,661,310	3,869,005		
Interest received on outstanding debtors	13,208,299	6,807,814		
Interest received on Primary Bank Account	198,445	378,485		
	20,068,054	10,855,304		
23. Bulk purchases				
Water	39,992,456	31,733,454		
Total Bulk Purchases	39,992,456	31,733,454		
24. Contracted Services				
Refuse Removal	13,876,065	12,998,447		
	13,876,065	12,998,447		
25. Grant and Subsidies Paid	None	None		

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R
26. General Expenses		
Included in General Expenses are the following:		
Advertising	848,352	772,378
Audit and Accounting Fees	3,087,288	1,734,456
Community Development Programme	56,470	29,087
Community Police Forum	149,604	35,858
Compilation of Valuation Roll	1,077,850	298,299
Consultants	1,103,352	1,515,397
Computers Software	2,432,606	2,235,139
Delegation and Conferences	939,065	920,401
Employee Assistant Programme	118,707	328,596
Entertainment Special Events	745,493	386,880
Expanded Public Works Programme	627,419	0
Electricity Streetlighting	5,713,399	2,671,225
Fuel	5,548,942	4,813,567
Gender and Children Programme	394,441	186,216
Financial Management Grant	1,250,000	1,000,000
Municipal System Improvement Grant	1,000,000	1,200,000
Grap Conversion	1,708,264	344,105
HIVS and AIDS Programme	130,723	53,689
IDP Revision Process	444,746	214,466
Free Basic Electricity to Indigents	1,176,773	778,768
Indigent Subsidy	337,108	480,545
Insurance	440,765	173,658
Legal Fees	5,909,913	1,900,930
Letsems	220,346	229,251
LED Projects	673,292	1,239,518
Membership Fees SALGA	825,667	545,637
Printing and Stationery	3,892,597	2,942,452
Physically Challenged People Programme	161,842	72,304
Refreshments	1,153,933	1,197,268
Travelling and Substantance	2,321,256	2,190,183
Telephone Expenses	4,293,144	4,047,909
Training	1,273,009	1,448,721
Ward Committees Transport and Catering	2,092,318	3,036,569
Youth Programme	215,444	69,109
Other General Expenses	15,889,985	15,640,670
	68,252,513	54,711,231
Operating Leases		
Not later than one year	892,776	639,865
Later than one year and not later than 5 years	1,785,552	0
Included in General Expenses are rental leases for office equipment from Gestetner and Baikwena Systems Integrators (Pty) Ltd (639,865 for 2010/2011 and 686,527 for 2011/2012 financial years) The municipality do not have the option to take over ownership of the equipment when the lease period expires		
27. Correction of Error		
Correction on Investment Property	36,331,400	0
Correction on Community Assets	5,890,866	0
Correction of Interest on Civic Centre	-266,881	0
Correction of depreciation	-1,218,192	0
Adjustment on previous years expenditure	115,290	0
(Increase) / Decrease to Unappropriate Surplus Account	40,855,483	0
28. Prior Period Error		
Opening balance Unappropriated Surplus Account		235,733,042
Refunds on sale of stands	163,296	0
Payment of long service awards	1,431,406	0
Salary Adjustments previous years	747,783	0
Adjustment on suspense accounts	-575,942	0
Adjustment on petty cash	2,892	0
Adjustment on VAT not approved by SARS	4,515,526	0
Income from traffic fines	-821,618	0
Expenditure incurred by the Administrator	2,196,082	0
Adjustment on previous years expenditure	8,946,903	0
Adjustment Housing Control Account	-2,373,246	0
(Increase) / Decrease to Unappropriate Surplus Account	14,233,082	235,733,042

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

29. Cash Generated by Operations		2012 R	2011 R
Surplus/(Deficit) for the year	App E	62,360,261	-14,546,043
Adjustment for :-			
Depreciation and amortisation	31	76,684,740	73,754,677
Loss on disposal of PPE		1,539	0
Interest Received	22	-20,068,054	0
Debt Impairment Provision	10	30,602,652	20,632,033
Interest Paid		9,047,946	0
Movements in provisions	2	8,349,297	3,896,819
Operating surplus before working capital changes:		166,978,381	83,737,486
(Increase)/Decrease in inventories	8	315,130	-7,567,750
(Increase)/decrease in consumer debtors	10	-57,572,994	-17,041,391
(Increase)/Decrease in other debtors	11	7,191,140	-4,103,580
(Decrease)increase in conditional grants and receipts	4	18,055,653	54,970,847
Increase/(Decrease in Creditors)	3	297,721	-13,472,467
Increase/(Decrease) in VAT payable	5	12,546,673	-1,455,506
Cash generated by ((utilized in)operations		147,811,704	95,067,639
30. Cash and cash equivalents			
Cash on hand	13	2,310	5,202
Bank balances	13	1,861,958	8,750,091
Call investment deposits	12	132,279,661	77,231,222
Total cash and cash equivalents		134,143,929	85,986,515
31. Depreciation and Amortization			
Depreciation on Property Plant and Equipment	31	75,877,615	73,754,677
Impairment		807,125	0
		76,684,740	73,754,677
32. Unauthorized, Irregular, Fruitless and Wasteful Expenditure Disallowed			
32.1 Unauthorized expenditure			
Reconciliation of unauthorised expenditure			
Opening Balance		3,870,204	990,974
Unauthorised expenditure current year		13,416,866	2,879,230
Unauthorised expenditure awaiting condonement		17,287,070	3,870,204
Unbudget expenditure: Over expenditure against budget resulted from additional depreciation charges after adjustments were made to infrastructure assets due to GRAP 17, as well as salary package paid to suspended municipality manager and salaries paid to acting head of unit			

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

	2012 R	2011 R
32.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	6,887,196	6,692,646
Fruitless and wasteful expenditure current year	3,395,601	194,550
Fruitless and wasteful expenditure awaiting condonement	<u>10,282,797</u>	<u>6,887,196</u>
Expenditure incurred on payouts to C Shimate as a result of non compliance to arbitration award of the CCMA. Payments were also made to T C Moloi and K Mogotsi regarding CCMA and Labour Court Judgements against the Council		
32.3 Irregular expenditure		
Reconciliation of Irregular expenditure		
Opening balance	113,833,520	0
Irregular expenditure current year	71,303,996	113,833,520
Irregular expenditure awaiting condonement	<u>185,137,516</u>	<u>113,833,520</u>
Various expenditure items were identified during the 2011/2012 audit for which adequate supporting documentation evidence could not be provided as proof that all Supply Chain Management Procedures were followed.		
33. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
33.1 Contributions to organized local government SALGA		
Opening balance	0	0
Council subscriptions	817,365	545,637
Amount paid - current year	-817,365	0
Amount paid - previous year	0	-545,637
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
33.2 Audit fees		
Opening balance	0	0
Current year audit fee	3,003,615	1,734,456
Amount paid - current year	-3,003,615	0
Amount paid - previous year	0	-1,734,456
Balance	<u>0</u>	<u>0</u>
33.3 PAYE, UIF and SDL		
Opening balance	0	0
Current year payroll deductions	17,832,628	10,988,749
Amount paid -current year	-17,832,628	0
Amount paid -previous year	0	-10,988,749
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

MOSES MOTAME (LOCAL MUNICIPALITY)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

33.4 Pension and Medical Aid Deductions	2012	2011
	R	R
Opening balance	0	0
Current year payroll deduction and council contribution	23,450,034	
Previous year payroll deduction and council contribution		18,141,174
Amount paid - current year	-23,450,034	
Amount paid - previously year		-18,141,174
Balance	0	0
33.5 Councilor's arrear consumer accounts		
The following councilors had arrear accounts for more than 90 days, or less, as at		
30th June 2012	Total	Outstanding less than 90 days
	R	R
Councilor M Nondzaba	435	435
Councilor J Marotele	464	464
Councilor S Mothaga	275	275
Councilor J Setou	326	326
Total Councilor Arrear Consumer Accounts	1,500	1,500
		25,784
30th June 2011	Outstanding less than 90 days	Outstanding more than 90 days
	R	R
Councilor L P Molelekeng	2,002	12,468
Councilor L T D Ntsamai	-90	258
Councilor M Nondzaba	182	3,817
Councilor J Mookaneng	-1,504	3,874
Councilor MP Moloi	863	18,163
Councilor L M J Tshite	584	1,890
Councilor G E Ramonwesi	887	6,975
Councilor A. B SETOU	229	135
Councilor Khunou		4,347
Councilor Pheto	21	492
Councilor Maretele J	484	7,294
Councilor Mothaga R	485	2,641
	4,143	61,962
		86,095
34. Capital Commitments	2012	2011
	R	R
Approved in respect of capital expenditure		
Land and Buildings	1,764,638	2,303,154
Infrastructure	37,296,219	53,687,789
Community	7,940,704	9,838,906
Heritage		
	47,001,561	65,829,829
Approved but not yet contracted for		
Land and Buildings	35,000,000	9,200,000
Infrastructure	111,844,247	104,600,000
Community	1,500,000	23,270,000
Other	12,920,000	2,550,000
	161,264,247	139,620,000
Total	208,265,808	205,449,829
35. Retiree Benefit Information	None	None
36. Contingent Liability		
Refer to note 43		
37. Contingent Assets		
38. In-Kind Donations and Assistance	None	None
39. Events After Reporting Date	None	None
40. Comparison with the Budget		
Refer to Appendix E		

MOSES KOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

41 Financial Instruments

Description	Note ref in AFS	Average effective Interest Rate	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
2012			R	R	R	R	R
Non - Interest bearing							
Creditors	3		29,749,630				
Variable Interest Rate Instruments							
Bank Overdraft							
Fixed Interest Rate Instruments							
DBSA							
Short term Loans							
Financial Guarantee Contracts			29,749,630				
2011							
Non Interest Bearing							
Creditors			29,451,909				
Variable Interest Rate Instruments							
Fixed Interest Instruments							
DBSA							
Short term Loans							
Financial Guarantee Contracts			29,451,909				

At the year end it was not probable that the counter party to the financial guarantee contract will claim under the contract
Consequently, the amount included above is nil

MOSES NOTANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

41. Financial Instruments (Continued)

The following table details the municipality's expected maturity for its non derivative financial assets

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
2012			R	R	R	R	R	R
Non - interest bearing			80,550,288	80,550,288				
Long Term Receivables								
Trade Receivables from Exchange Transactions	9		58,390,594	58,390,594				
Trade Receivables from Non - Exchange Transactions	9		22,157,384	22,157,384				
Cash and Cash Equivalents	30		2,310	2,310				
Variable Interest Rate Instruments			134,141,619	134,141,619				
Call Deposits	30		132,279,661	132,279,661				
Bank account	30		1,861,958	1,861,958				
Fixed Interest Rate Instruments			211,425	211,425				
Fixed Deposits	7		211,425	211,425				
Finance Lease Receivables								
Notice Deposits								
			214,903,332	214,903,332				
2011								
Non - interest bearing			60,350,188	60,350,188				
Long Term Receivables								
Trade Receivables from Exchange Transactions			43,000,313	43,000,313				
Trade Receivables from Non - Exchange Transactions			17,344,673	17,344,673				
Cash and Cash Equivalents	30		5,202	5,202				
Variable Interest Rate Instruments			85,981,313	85,981,313				
Call Deposits	30		77,231,222	77,231,222				
Bank account	30		8,750,091	8,750,091				
Fixed Interest Instruments			198,521	198,521				
Fixed Deposits	7		198,521	198,521				
Finance Lease Receivables								
Notice Deposits								
			146,530,022	146,530,022				

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)

41. Financial Instruments (Continued)

The following table details the municipality's liquidity analysis for its derivative financial instruments. The table has been drawn up on the undiscounted net cash inflows (outflows) on the derivative instrument that settle on a net

Description			Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
2012			R	R	R	R	R	R
Nett Settled								
Interest rate Swaps								
Foreign Exchange Forward Contracts								
Gross Settled								
Foreign Exchange Forward Contracts								
Currency Swaps								
2011								
Nett Settled								
Interest rate Swaps								
Foreign Exchange Forward Contracts								
Gross Settled								
Foreign Exchange Forward Contracts								
Currency Swaps								

41.1 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.87(a) and (b) the following table indicates the average effective interest rates of income-earning Financial Assets and interest bearing Financial Liabilities at the reporting periods in which they mature or reprice

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
2012			R	R	R	R	R	R
Secured Bank Facilities			0	0				
Unsecured Bank Facilities			0	0				
Total Fixed Rate Instruments			0	0				
VARIABLE RATE INSTRUMENTS								
Short Term Investments Deposits	30		132,279,661	132,279,661				
Bank Balances and Cash	30		1,864,268	1,864,268				
Total Fixed Rate Investments			134,143,929	134,143,929				

MOSES KOTANE LOCAL MUNICIPALITY									
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (Continued)									
41.1 Financial Instruments (Continued)									
Description	Note ref if AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	
2011			R	R	R	R	R	R	R
FIXED RATE INSTRUMENTS									
Held to maturity instruments									
ABSA									
Secured Bank Facilities									
Unsecured Bank Facilities									
Total Fixed Rate Instruments									
Non - interest bearing									
VARIABLE RATE INSTRUMENTS									
Short Term Investment Deposits	30		77,231,222	77,231,222					
Bank Balances and Cash	30		8,755,293	8,755,293					
Total Fixed Rate instruments			85,986,515	85,986,515					
41.2 Other Price Risks									
The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments									
					2012 R		2011 R		
42. Presentation of budget information Refer to Appendix E									
43. Material Losses									
Material loss in water distribution					6,937,461		12,973,154		

DISCLOSURES IN TERMS OF SEC. 125 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003

44 Subsection 125(1)(a): List of all municipal entities under sole or shared control of the municipality during the financial year and as at the last day of the financial year;

The Moses Kotane Development Agency (Pty) (Ltd) was established on 8 February 2006. The Council was the only shareholder in the company. The Council resolved (Item 75/11/2011) to disestablish the Moses Kotane Development Agency. The CIPC confirmed on 25 January 2012 that the Municipality's application for de-registration of the Moses Kotane Development Agency is approved. The current status is "Deregistration Process".

Subsection 125(1)(c): Particulars of any contingent liabilities of the municipality as at the end of the financial year;

Claims against the Municipality

- 1 **NORTH WEST DEVELOPMENT CORPORATION (NWDC): BODIRELO INFRASTRUCTURE**
Claim by NWDC for R 18 000 000 in respect of infrastructure installed by it in Bodirelo Industrial Township during 1990-1991. NWDC also questions municipality's right to hold it liable for the payment of assessment rates. This matter could not be resolved and was submitted to the MEC for Local Government in terms of the MFMA. From a legal point of view this claim have prescribed in law.

- 2 **Fencecor Construction**

Fencecor was a sub-contractor at the Mogwase Waste Disposal Site. A cession agreement was entered into between main contractor and Fencecor for maximum amount of R 2,2 Mil. Municipality already paid R 700 000.00 in terms of cession and as per invoices submitted. Fencecor is claiming R 2,842 111.00 saying that this amount is what they spent at site. The case is ongoing in the High Court in Mmabatho.

- 3 **Flo-Tek Pipes**

The Municipality was summoned to pay R 74 485.31 allegedly for unpaid invoices. Municipality paid R 1,1 Mil. as per invoices submitted. The case is ongoing in the Magistrates Court.

- 4 **R&T Developers / Alert Steel**

Alert Steel is a supplier of materials to contractors at the Mogwase Unit 8 Low Cost Housing project. The sub-contractor entered into cession agreement with supplier and is claiming the top-up payments and retention monies amounting to R 4 515 768.23. Municipality saying that R&T relying on wrong cession, not entitled to top-up retrospectively.

Claims on behalf of the Municipality

- 1 **CLAIM FOR PAYMENT OF ASSESSMENT RATES: MUNICIPALITY / NWDC**

The municipality has held NWDC liable for payment of assessment rates in respect of properties "owned" in terms of legislation applicable to municipal rating. The total amount due by NWDC at 30 June 2012, excluding interest, is R 12 600 777.82. It was suggested that at the very least NWDC should pay the outstanding rates in respect of all properties other than those situated in Bodirelo, pending resolution of the dispute between the municipality and NWDC. This proposal was formally put to the legal representatives of NWDC and advising that the matter would have to be reported to the MEC and to request the latter to mediate between the parties in terms of sec. 44 of the MFMA, 2003, or alternatively proceed with legal action against NWDC for the recovery of the amount due. NWDC is in the process to liaise with the MEC for Economic Affairs to resolve on this matter.

- 2 **NATIONAL- AND PROVINCIAL DEPARTMENTS-** The outstanding property rates and service charges for all departments amounts to R 6, 138, 805.55. The matter has been referred to Provincial Treasury in terms of Section 44 of the MFMA.

- 3 **MR. RANAMANE (RANAMANE PHUNGO ATTORNEYS)**

Ranamane Phungo Attorneys was appointed by the Administrator, Mr. Raedani. The partners split ways and the Municipality mistakenly paid R 214 929.90 to Ranamane Phungo account while money should have been paid to Phungo's account. Legal action started to recover R 214 929.90 from Mr. Ranamane.

MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	INTEREST RATE	LOAN NUMBER	REDEEMABLE DATE	Balance at 30/06/2011	Received during the period	Redeemed written off during the period	Balance at 30/06/2012
				R	R	R	R
ANNUITY LOANS							
ABSA							
Annuity Loan	13.40%	30-0789-0423	30/09/2011	314,547		314,547	0
Annuity Loan	8.00%	70057781	01/07/2011	5,717		5,717	0
Annuity Loan	8.00%	70057790	01/07/2011	1,915		1,915	0
Annuity Loan	8.00%	70057803	01/07/2011	398		398	0
Annuity Loan	8.00%	73443909	01/02/2012	80,156		80,156	0
Annuity Loan	8.00%	73443933	01/02/2012	80,156		80,156	0
Annuity Loan	9.00%	8085717250		1,430,456		40,583	1,389,873
Annuity Loan	8.00%	78652344	7/04/2014	133,852		41,095	92,757
Annuity Loan	8.00%	78652280	7/04/2014	133,852		41,095	92,757
Annuity Loan	8.00%	78652018	28/04/2014	209,164		64,217	144,947
Annuity Loan	8.00%	78652832	28/04/2014	163,786		50,285	113,501
Annuity Loan	8.00%	78653146	23/04/2014	163,786		50,285	113,501
Annuity Loan	8.00%	78653030	23/04/2014	163,786		50,285	113,501
Annuity Loan	8.00%	78652905	23/04/2014	163,786		50,285	113,501
Annuity Loan	8.00%	78652999	23/04/2014	163,786		50,285	113,501
Annuity Loan	8.00%	78652069	23/04/2014	163,786		50,285	113,501
Annuity Loan	8.00%	78651917	28/02/2014	137,470		42,206	95,264
Annuity Loan	8.00%	78671136	23/04/2014	117,640		36,118	81,522
Annuity Loan	8.00%	78671314	12/07/2013	1,029,275		317,669	711,606
Annuity Loan	8.00%	78652296	07/04/2014	341,146		105,289	235,857
Annuity Loan	8.00%	78652409	07/04/2014	190,331		190,331	0
Annuity Loan	8.00%	78652263	07/04/2014	327,995		100,701	227,294
Annuity Loan	8.00%	78653588	25/03/2014	82,820		25,427	57,393
Annuity Loan	8.00%	78653006	25/03/2014	83,735		25,709	58,026
Annuity Loan	8.00%	78652891	25/03/2014	83,761		25,716	58,045
Annuity Loan	8.00%	78652417	7/04/2014	133,815		41,083	92,732
Annuity Loan	8.00%	78655114	25/03/2014	83,761		25,716	58,045
Annuity Loan	8.00%	78655262	25/03/2014	83,761		25,716	58,045
Annuity Loan	8.00%	78652611	25/03/2014	83,761		25,716	58,045
Annuity Loan	8.00%	78654916	25/03/2014	83,761		25,716	58,045
Annuity Loan	8.00%	78653952	25/03/2014	95,045		95,045	0
Annuity Loan	8.00%	78653430	25/03/2014	83,761		25,716	58,045
Annuity Loan	8.00%	78652174	27/05/2014	190,009		58,643	131,366
Annuity Loan	8.00%	78652743	28/03/2014	327,102		100,426	226,676
Annuity Loan	8.00%	78651992	04/06/2014	68,022		20,884	47,138
Annuity Loan	8.00%	78652042	27/05/2014	190,009		58,643	131,366
Annuity Loan	8.00%	78652522	27/05/2014	174,812		53,670	121,142
Annuity Loan	10.97%	Civic Centre			12,000,000		12,000,000
TOTAL ABSA				7,364,721	12,000,000	2,397,729	16,966,992
INCA							
Annuity Loan	14.00%	MOSE-00-0001	30/12/2014	10,366,917		1,062,757	9,304,160
Annuity Loan	11.40%	MOSE-00-0003	31/12/2024	11,823,179		618,860	11,204,319
Annuity Loan	11.83%	9078	31/12/2027	9,336,175		208,340	9,127,835
Annuity Loan	13.85%	18721	28/03/2024	2,865,104		87,463	2,777,641
TOTAL INCA				34,391,375	0	1,977,420	32,413,955
DBSA							
Annuity Loan	11.44%	100840	29/06/2024	7,459,158		267,634	7,191,524
Annuity Loan	11.44%	100840	29/06/2024	8,068,551		218,981	7,849,570
Annuity Loan	10.03%	101899	30/06/2021	3,804,582		234,618	3,569,964
Annuity Loan	8.80%	102482	31/12/2023	24,276,791		1,123,694	23,153,097
Annuity Loan	6.75%	27348	30/09/2011	5,165,507		5,165,507	0
TOTAL DBSA				46,774,589	0	7,010,434	39,764,155
TOTAL LOANS OUTSTANDING				88,530,686	12,000,000	11,385,583	89,145,103

MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	cost / revaluation										Accumulated Depreciation										Carrying Value June 2012
	Opening Balance June 2011	Reclassification	Rn Used Opening Balance	Additions Construction	Under Grap 17 Impairment Adjustments	Connection	Deposits	Costing Balance	Opening Balance	Redesignation	Rn Used Opening Balance	Additional Impairment Grap 17 Impairment Adjustments	Prior year Depreciation Adjustment	Disposals	Costing Balance	Carrying Value June 2012					
Land and Buildings and	8,578,048		8,578,048					8,578,048								8,578,048					
Buildings	43,001,352	92,832	43,093,974	84,108	4,500,926	862,346	0	48,341,364	10,164,929	4,428,462	3,738,437	1,724,397	508,882	26,494	44,565,805	41,294,152					
Total	51,579,399	92,832	51,579,399	84,108	4,500,926	862,346	0	56,919,422	10,164,929	4,428,462	3,738,437	1,724,397	508,882	26,494	49,131,610	48,124,152					
Infrastructure																					
Roads	38,169,197	20,033,347	40,202,852	8,834,291	13,014,181	1,883,097		48,814,410	185,438,883	3,282,173	189,722,066	33,614,896	185,146	34,857	223,032,964	205,817,957					
Storm water	4,843,745	-8,949,745	0					-4,106,000	183,750	-183,750	0				0	0					
Bridges	4,389,021	-5,263,023	0					-874,002	658,978	-658,978	0				0	0					
Sewerage Mains & Pumps	48,270,335	14,000,000	62,270,335	327,185	7,199,664			70,469,999	20,941,488	10,943,334	31,884,822	2,350,498	-765,170		33,440,149	37,825,019					
Street lighting	44,980,484	-8,870,580	36,109,904	291,435	1,308,000	2,814,879		38,679,689	6,438,350	-2,438,441	3,999,908	1,860,458	14,331		40,132,137	37,169,444					
Water Retention	319,381,595	-34,472,748	284,908,847	21,685,899	5,900,178	24,635,483		301,967,176	70,137,205	39,477,800	129,615,111	9,443,068	1,724,397		140,129,944	137,181,443					
Water Branches	14,759,444	21,048,062	35,807,506	371,834	170,353	2,088,041		37,996,743	7,970,537	9,297,858	14,202,396	3,862,762	319,148		42,061,046	39,191,748					
Water Pump Stations	4,892,118	-480,000	4,412,118					4,412,118	4,168,838	-1,820,784	2,348,054	240,888			2,612,163	1,734,252					
Reservoirs - Water	68,370,031	8,413,088	76,783,119	5,564,848	1,991,548	11,538,962		92,843,463	46,734,467	-28,828,550	17,905,917	3,659,028	694,346		22,794,669	19,774,341					
Water Treatment Works	23,470,096	-13,540,000	9,930,096			901,093		8,391,146	18,167,668	-15,002,815	4,164,873	624,664	66,660		4,778,128	5,550,441					
Water Bore Holes	182,940,000	8,860,477	191,800,477	5,360,000	1,200,231	58,753		197,441,201	148,743,473	-31,081,443	118,660,030	6,130,981	3,444		124,789,655	121,347,674					
Rainwater Disposal Site	13,800,195		13,800,195	1,785,564				15,585,759	157,564		157,564	845,052			1,072,166	14,132,029					
Total	1,182,044,775	0	1,182,044,720	42,198,639	36,754,964	44,447,141	0	1,181,443,354	811,740,238	0	811,740,238	62,666,046	3,699,778	0	576,898,278	641,465,186					
Community Assets																					
Parks & Gardens	5,305,618	265,550	5,571,168	82,100				5,653,268	1,876,599	-301	1,876,599	210,698			2,086,927	4,176,341					
Libraries	3,184,941	497,650	2,687,291	28,021	3,988,057			6,673,369	1,041,421	-157,287	884,134	86,401			6,725,571	3,383,973					
Heritage Grounds	14,743,361	688,223	15,431,584	1,540,776	3,404,431			19,376,794	1,857,698	2,348,598	4,206,656	1,320,383			5,527,679	13,651,141					
Civic Buildings	27,487,374	-60,153	27,427,221	2,222,597	1,028,066	2,656,513		30,334,391	1,038,036	5,112,868	6,152,484	2,000,582	298,443		8,716,944	24,228,242					
Cemeteries	4,053,116		4,053,116	0				4,053,116	1,900,748	-875,935	1,028,813	327,445			1,348,328	2,703,111					
Total	57,289,051	-32,832	56,996,789	3,854,684	8,428,074	2,656,513	0	61,148,234	7,718,173	6,428,462	14,446,686	3,648,468	298,443	218,888	68,444,166	64,635,722					
Heritage Assets																					
Sculpture	14,000		14,000					14,000								14,000					
Total	14,000	0	14,000	0	0	0	0	14,000	0	0	0	0	0	0	14,000	14,000					
Total carried forward	1,239,333,826	0	1,239,332,512	46,154,142	43,715,284	47,788,000	0	1,239,334,344	819,458,411	0	819,458,411	66,334,541	807,125	3,766,136	881,688,445	1,195,874,978					

MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012 (Continued)

	Opening Balance June 2011	Reclassification	Re Visual Opening Balance	Additional Construction	Under Construction	Grp 17 Impairment Adjustments	Correction	Disposals	Closing Balance	Reclassification	Re Visual Opening Balance	Additional Impairment	Grp 17 Impairment Adjustments	Prior year Depreciation Adjustment	Disposals	Closing Balance	Carrying Value June 2012
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	1,210,737,212	0	1,210,737,212	46,164,142	43,716,264	47,768,000	0	0	1,304,344,918	839,823,341	0	839,823,341	68,338,441	687,126	3,766,130	807,690,448	1,248,794,673
Other Assets																	
Furniture & Fitting	4,536,965		4,536,965	686,412				-650,745	4,572,632	4,036,772			288,570			4,327,342	745,223
Motor vehicles	28,650,285		28,650,285	3,143,280				-126,754	29,676,815	18,867,795			2,368,065		-40,109	21,215,751	8,741,064
Office Equipment	8,455,146		8,455,146	538,951					8,994,097	4,941,538			688,282			5,629,630	1,364,267
Plant and Equipment	8,779,814		8,779,814	383,242					7,163,211	4,870,953			751,140			5,822,093	1,341,173
Total	44,732,313		44,732,313	4,791,884				-777,499	48,756,705	32,716,068			4,118,067		-40,109	38,796,918	11,911,667
Total assets	1,255,469,525	0	1,255,469,525	50,916,036	43,716,264	47,768,000	0	-777,499	1,353,091,623	862,542,399			72,456,506	897,126	3,766,130	838,478,461	1,260,706,340

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Accumulated Depreciation																
	COST																
	Opening Balance	Reclassification	Additions	Under Construction	Grp 17 Implm't Adjustments	Correction	Disposals	Closing Balance	Opening Balance	Reclassification	Additions	Impairment	Grp 17 Implm't Adjustments	Prior year Depreciation Adjustment	Disposals	Closing Balance	Carrying value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Executive & Council	4,614,342		923,512				-404,538	9,132,323	4,704,051		786,413				-404,538	5,089,592	4,097,597
Municipal Manager	1,914,792		3,163					1,917,955	1,262,690		218,661					1,481,381	438,577
Budget and Treasury Office	82,603,337	32,479	2,719,261	5,527,412	662,346		-245,807	91,297,028	9,888,931		3,725,927	807,125	246,354	186,326	-245,807	14,403,666	76,688,172
Corporate Services: Properties	2,852,701		2,745,914					5,598,615	5,314,355		315,396				-40,109	5,589,532	8,693
Corporate Services: Other Admin	1,838,128		402,126				-126,754	2,113,500	2,092,206		916,147					3,029,353	-492,777
Planning & Development	4,210,513	-987,650	29,021	3,996,567				7,240,441	698,550		86,401			1,822		788,773	6,453,661
Libraries and Archives	4,603,596							4,603,596	1,973,927		327,445					2,301,572	2,302,216
Cemeteries																	
Community Services Other	1,972,636	-9,870,560	231,435	1,303,909	2,814,679			-3,542,721	3,997,809		1,854,269		140,734	14,331		6,007,243	-8,549,943
Public Safety: Streetlighting																	
Public Safety: Other	23,223,155	966,173	1,898,500	3,404,431				28,491,256	5,799,655		1,554,192			-8,639		7,345,324	22,148,051
Sport & Recreation	49,448,379	14,000,000	327,195	7,199,464				71,013,022	31,884,832		2,569,926			-795,170		33,659,446	37,363,537
Waste Water Management: Sewerage	13,633,706							13,428,154	167,564		845,152					1,012,716	14,413,932
Waste Management: Solid Waste	460,126,869	9,870,579	6,834,291	13,014,181	1,863,087			491,779,013	188,722,066		34,891,782		661,146	34,857		224,329,651	267,399,165
Road Transport: Roads	630,394,614	-14,000,001	33,015,674	9,262,310	42,427,878			617,092,378	305,835,663		24,383,407		2,707,986	-278,619		332,948,341	539,444,021
Water																	
TOTAL	1,265,449,820	0	50,816,036	43,715,264	47,765,000	0	-777,499	1,997,091,626	562,342,399		72,455,006	807,125	3,756,130	945,092	-690,854	837,824,716	719,293,910

MOSES KOTANE LOCAL MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011	2011	2011		2012	2012	2012
Actual	Actual	Surplus/	SEGMENTAL DEPARTMENT	Actual	Actual	Surplus/
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
65,449	86,151,210	-86,085,761	Executive & Council		86,143,952	-86,143,952
	2,906,072	-2,906,072	Municipal Manager		3,832,323	-3,832,323
203,470,839	25,536,773	177,934,066	Budget and Treasury Office	306,580,685	34,291,244	272,289,441
	10,505,771	-10,505,771	Corporate Services: Properties	0	14,234,158	-14,234,158
215,439	29,735,333	-29,519,894	Corporate Services: Other Admin	618,440	30,295,753	-29,677,313
79,415	11,493,128	-11,413,713	Planning & Development	90,301	12,338,823	-12,248,522
407,535	880,412	-482,877	Libraries and Archives	172,435	772,056	-599,621
7,226	1,280,238	-1,283,012	Cemeteries	16,210	892,320	-876,110
	2,030,373	-2,030,373	Community Services Other		2,036,542	-2,036,542
	6,180,519	-6,180,519	Public Safety: Streetlighting		9,472,564	-9,472,564
	1,932,633	-1,932,633	Public Safety: Other	1,130,860	2,785,926	-1,655,066
0	10,059,013	-10,059,013	Sport & Recreation	0	10,560,478	-10,560,478
6,349,000	5,208,456	1,140,542	Waste Water Management: Sewerage	8,382,306	5,596,463	2,785,843
17,347,484	15,921,110	1,426,374	Waste Management: Solid Waste	20,537,426	24,563,468	-4,026,042
2,226,519	59,011,325	-56,782,806	Road Transport: Roads	1,716,690	52,443,572	-50,724,882
74,899,478	93,901,847	-19,002,369	Water	98,071,731	117,786,744	-19,715,013
305,070,384	332,724,216	-27,653,831	Sub Total	437,318,884	388,066,414	49,252,470
	-13,107,788	13,107,788	Less: Inter-departmental charges		-13,107,791	13,107,791
305,070,384	319,616,427	-14,546,043	Total	437,318,884	374,958,623	62,360,261
Deficit		-14,546,043	Surplus			62,360,261

MOSES KOTANE LOCAL MUNICIPALITY
APPENDIX E

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

REVENUE	2012 Budget Approved	2012 Adjustment	2012 Actual	2012 Variance	2012 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	R	%	
Property rates (see note 14)	32,664,400	0	31,694,867	698,513	2.12%	
Service charges (see note 15)	56,295,288	-2	75,540,021	-19,244,725	-34.19%	
Rental of facilities and equipment						
Interest earned - external investments	3,000,000	900,000	5,881,310	-3,181,310	-90.32%	
Interest earned - outstanding debtors	12,000,000	0	13,208,289	-1,208,289	-10.07%	
Interest earned - Primary Bank Account	1,000,000		198,446	801,554	80.16%	
Traffic Fines	2,000,000	120,910	1,130,660	869,340	43.47%	
Commission Received			80,195			
Sale of Stands			420,289			
Government grants and subsidies	212,467,000	3,366,058	211,465,044	4,368,014	2.02%	
Government grants and subsidies MIG			95,274,166	-95,274,166		
Other income (see note 17)	1,884,330	8,000	1,446,568	244,762	14.48%	
Total Revenue	321,031,028	3,692,866	437,318,884	317,036,062	31.52%	
EXPENDITURE						
Executive & Council	60,609,251	4,214,055	66,143,952	-1,420,846	-2.19%	
Municipal Manager	4,440,654	-817,357	2,241,917	1,381,340	38.12%	
Budget and Treasury Office	31,776,725	-3,072,481	28,422,297	280,947	0.98%	
Corporate Services- Properties	16,975,477	-1,250,941	14,234,108	1,491,378	9.48%	
Corporate Services- Other Admin	40,634,346	-10,923,043	27,092,128	2,619,175	6.82%	
Planning & Development	14,087,078	-1,422,897	12,664,381	987,410	7.40%	
Libraries and Archives	1,800,179	-37,905	1,571,274	772,056	42.88%	
Canteen/Leisure	1,464,341	-346,864	1,117,367	862,320	58.90%	
Community Services Other	984,683	606,729	1,591,408	1,481,063	150.31%	
Public Safety Strengthening	7,386,507	1,487,730	8,866,237	-616,327	-8.39%	
Public Safety Other	2,114,954	-29,854	2,065,910	-700,016	-33.56%	
Sport & Recreation	12,017,939	-938,408	11,079,533	919,057	4.88%	
Waste Water Management Sewerage	7,281,146	-3,028,617	4,225,529	5,066,493	69.58%	
Waste Management Solid Waste	21,368,646	-8,228	21,369,417	-3,233,051	-15.14%	
Road Transport- Roads	38,619,220	5,081,342	43,070,602	-7,492,508	-17.19%	
Water	115,639,612	2,853,800	118,133,112	346,368	0.29%	
Total Expenditure	378,771,289	-7,839,903	374,968,623	384,711,172	9.08%	
NET SURPLUS(DEFICIT) FOR THE YEAR	-56,740,261	11,522,869	62,360,261			

The increase is due to more accurate water billing charges
The council has implemented the E-Venus system as from December 2010
More funds were invested than anticipated for
Debtors are not committed to pay for services and therefore the increase
More funds were invested than leaving high balances on current account
The accrual basis for traffic fines has been applied and therefore the
increase in traffic fines which represents outstanding fines
Provision has not been made for the sale of stands

MIG commitments met and transferred to revenue

The municipal Manager was suspended and received a settle amount
for only a few months which is less than his total package for the year

Savings on depreciation charges
Savings on repair and maintenance and finance charges

Overspent on salaries due to the acting of the Head of Unit as director
of Community Services due to the suspension of the director by the council

The overspent is due to the under provision for depreciation

The overspent is due to the under provision for depreciation

HOSES KOTANE LOCAL MUNICIPALITY

APPENDIX F

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

SEGMENTAL DEPARTMENT	2012 Actual	2012 Under Construction	2012 Total Additions	2012 Budget	2012 Variance	2012 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive & Council	923,512		923,512	1,000,000	136,488	13%	Saving on the purchase of office equipment
Municipal Manager			0	30,000	30,000	100%	Saving on the purchase of office equipment
Budget and Treasury Office	3,183		3,183	696,000	696,837	100%	The purchase of electronic equipment for the meter readers did not realize
Corporate Services: Properties	2,719,281	5,527,412	8,246,693	21,982,914	13,747,241	63%	The erection of Community Halls and extension of the Civic Centre
Corporate Services: Other Admin	2,745,914		2,745,914	1,550,000	-1,195,914	-77%	Will only realize in the 2012/2013 Financial Year
Planning & Development	402,126		402,126	9,200,000	8,797,874	96%	Saving on the purchase of office equipment
Libraries and Archives	29,021	3,998,557	4,027,578	9,900,000	5,872,422	59%	Various capital projects did not come off the ground as expected
Cemeteries	231,435	1,308,909	1,540,344	3,000,000	3,000,000	100%	The erection of libraries are still in the planning phase
Public Safety Streetlighting				15,000,000	13,459,656	90%	These projects will be executed during the 2012/2013 financial year
Sport & Recreation	1,898,500	3,404,431	5,302,931	14,139,145	8,836,214	62%	The contractors has been appointed and the projects will be completed during the first half of the year
Waste Water Management Sewerage	327,185	7,199,484	7,526,649	18,288,487	10,761,848	59%	The contractors has been appointed and the projects will be completed during the first half of the year
Waste Management Solid Waste	1,784,954		1,784,954	675,774	-1,111,180	-164%	The expenditure on this report was under estimated
Road Transport: Roads	6,834,281	13,014,181	19,848,472	38,412,898	18,564,226	48%	Late implementation of projects as well as labour issues in the
Water	33,015,674	9,262,310	42,277,984	80,308,815	38,028,831	47%	Project Management Unit influenced the execution of the capital projects
							Late implementation of projects as well as labour issues in the
							Project Management Unit influenced the execution of the capital projects
TOTAL	80,816,036	43,716,204	94,031,300	214,216,843	-119,864,843		

MOSES KOTANE LOCAL MUNICIPALITY
APPENDIX G

DISCLOSURES IN TERMS OF SECTION 123 OF THE MFMA: GRANTS AND SUBSIDIES RECEIVED FOR THE YEAR ENDED 30 JUNE 2017

Name of Grant	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and subsidies delay/withheld				Reason for delay/ withholding of funds	Did your Municipality comply with the grant framework in the latest Division of Revenue Act	Reason for non-compliance
		September	December	March	June	September	December	March	June	September	December	March	June			
Equitable Share	DPLG	84 868 000	85 128 000	50 238 750	50 238 750	50 238 750	50 238 750	50 238 750	50 238 750	None	2 700 000	None	None	Underpending on MIG	Yes	
Municipal Systems Improvement	DPLG	1 000 000		400 000			43 000	367 000	180 000	None	None	None	None		Yes	
Finance Management	DPLG	1 250 000		210 000			597 000	283 000	180 000	None	None	None	None		Yes	
Municipal Infrastructure	DPLG	500 000	48 050 000	21 860 000			25 199 000	8 991 000	22 577 805	None	None	None	None		Yes	
DWAF Operating and Maintenance	DWAF	847 000	647 000	847 000			847 000	848 000		None	None	None	None		Yes	
Expanded Public Works Programme	DPLG		1 111 000				80 000	60 521	888 025						Yes	

MOSES MOTANE LOCAL MUNICIPALITY
APPENDIX B
STATISTICAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2013

General statistics	2012	2011
Population	236,845	236,845
Registered voters	116,000	116,000
Valuation date: January 2008 with effect from 1 July 2008		
Total valuations		
Market Value	2,644,239,200	2,197,590,750
Provisional Suppl Land		
Valuation Roll Improvements		
Improved		
Assessment rates	0	
Calculated on the improved value of the property		
Residential per rand	0.0022	0.0021
	Less 17,000 on valuation plus a rebate of 20% if developed	Less 17,000 on valuation plus a rebate of 20% if developed
Mining	0.0731	0.0690
Commercial	0.0211	0.0199
Other properties and right in land	0.0309	0.0292
Sun City	0.0324	0.0306
Government properties and Tertiary institutions	0.0475 less 20%	0.0449 less 20%
Industrial	0.0086	0.0081
Number of properties		
Residential Formal	4,437	4,437
Commercial Formal	63	63
Churches Formal	42	42
Service charges: (Per site)		
Refuse Removal		
Residential Madikwe	18.40 plus VAT	17.36 plus VAT
Commercial Madikwe	36.80 plus VAT	34.72 plus VAT
Residential Mogwase	18.40 plus VAT	17.36 plus VAT
Commercial Mogwase	36.80 plus VAT	34.72 plus VAT
Sewerage		
Residential Madikwe	17.36 plus VAT	17.36 plus VAT
Commercial Madikwe	34.72 plus VAT	34.72 plus VAT
Residential Mogwase	17.36 plus VAT	17.36 plus VAT
Commercial Mogwase	17.36 plus VAT	17.36 plus VAT
Industries	4.24 on 60% of water consumed	4.24 on 60% of water consumed
Water		
Residential	0 to 6kl Free of Charge 6.1 to 45 kl R9.2 45.1kl and above R10.57	0 to 6kl Free of Charge 6.1 to 45 kl R8.36 45.1kl and above R9.61
Small Business and State Department	0 to 45kl R9.2 45.1kl and above R11.02	0 to 45kl R8.36 45.1kl and above R10.02
Bulk Consumers	R6.94 per kl	R6.31 per kl
Industrial and large consumers	R9.5 per kl	R8.62 per kl
All water tariffs are excluding VAT		
Water Statistics		
Number of users	20,761	20,174
KI Purchased	12,237,706	11,786,455
KI Sold	9,183,126	5,643,729
Free basic KI	859,181	1,373,184
KI Lost in distribution	2,195,399	4,769,542
Percentage lost in distribution	18	40
Cost per kl bought	3.160	2.720
Loss in distribution	2,195,399	4,769,542
Cost per kl sold	13.21	12.79
Income per kl sold	4.06	7.77
Number of employees	400	395
Number of councillors	62	60

MOSES KOTANE LOCAL MUNICIPALITY
APPENDIX I
ALLOWANCES OF COUNCILORS

COUNCILLOR	POSITION	Allowance 2011/2012	Telephone Allowance	Phobion	Medical	Travelling Allowance	Total 2011/2012
MOKATI-THEBE F	Mayor	384,036		57,605	17,280	152,974	811,895
TOTAL	1	384,036	0	57,605	17,280	152,974	811,895
DIALE R.A	Speaker	319,418	18,672	47,887	0	122,379	508,356
TOTAL	1	319,418	18,672	47,887	0	122,379	508,356
Nkotswe M.N	Executive	299,296	18,840	44,895	0	114,730	477,781
Tshetjhane D.R	Executive	298,118	18,840	44,718	1,365	114,730	477,781
Motshabi C.N	Executive	291,392	18,840	43,709	9,091	114,730	477,782
Setlou A.B	Executive	284,270	18,840	42,641	17,280	114,730	477,781
Lesole K	Executive	299,296	18,840	44,895	0	114,730	477,781
Manganyane T	Executive	299,298	18,840	44,895	0	114,730	477,781
Modikela D	Executive	299,296	18,840	44,895	0	114,730	477,781
Tlabyane D.R	Executive	284,270	18,840	42,641	17,280	114,730	477,781
Vava S.S	Executive	124,707	7,850	18,706	0	47,804	199,067
Motshagwe K	Executive	299,296	18,840	44,895	0	114,730	477,781
TOTAL	10	2,779,237	177,410	418,890	45,006	1,080,374	4,498,917
Matshaba M.Z	Councillor	299,296	18,840	44,895	0	114,730	477,781
VAVA S		69,854	6,853	10,463		26,770	113,940
Deleki N	Councillor	119,719	11,748	17,958		45,892	195,317
Ndlovu H	Councillor	105,203	11,748	15,796	16,678	45,892	195,317
Khunu M.K	Councillor	119,719	11,748	17,958		45,892	195,317
Letlape A.T	Councillor	119,719	11,748	17,958		45,892	195,317
Lephoto E.T	Councillor	119,719	11,748	17,958		45,892	195,317
Leoto D.M	Councillor	119,719	11,748	17,958		45,892	195,317
Lukhele R.M	Councillor	119,719	11,748	17,958		45,892	195,317
Magodiso M.A	Councillor	119,719	11,748	17,958		45,892	195,317

MOSES KOTANE LOCAL MUNICIPALITY
APPENDIX I
ALLOWANCES OF COUNCILLORS (Continued)

COUNCILLOR	POSITION	Allowance 2011/2012	Telephone Allowance	Pension	Medical	Travelling Allowance	Total 2011/2012
Makgothi M.S	Councillor	119,719	11,748	17,958		45,892	195,317
Manganye BM	Councillor	119,719	11,748	17,958		45,892	195,317
Mashimo R.E	Councillor	119,719	11,748	17,958		45,892	195,317
Mashishi S. N	Executive	119,719	11,748	17,958		45,892	195,317
Matlapeng S.S	Councillor	119,719	11,748	17,958		45,892	195,317
Mekgwe J.D	Councillor	119,719	11,748	17,958		45,892	195,317
Rakatsane S	Councillor	104,893	11,748	15,704	17,280	45,892	195,317
Mkhandawini P.P	Councillor	119,719	11,748	17,958		45,892	195,317
Mngomezulu P. P	Councillor	119,719	11,748	17,958		45,892	195,317
Moete L	Councillor	118,467	11,748	17,770	1,440	45,892	195,317
Moetshe G.D	Councillor	119,719	11,748	17,958		45,892	195,317
Mokgathe M.M	Councillor	119,719	11,748	17,958		45,892	195,317
Moloi F	Councillor	119,719	11,748	17,958		45,892	195,317
Monyatsi V	Councillor	105,757	11,748	15,854	16,056	45,892	195,317
Monnakgotla T	Councillor	119,719	11,748	17,958		45,892	195,317
Selotlego J	Councillor	105,206	11,748	15,795	16,675	45,892	195,317
Morape S.S	Councillor	119,719	11,748	17,958		45,892	195,317
Moeng T.J	Councillor	119,719	11,748	17,958		45,892	195,317
Morua E.O	Councillor	119,719	11,748	17,958		45,892	195,317
Motshagole D.M	Councillor	119,719	11,748	17,958		45,892	195,317
Mothaga P.R	Councillor	119,719	11,748	17,958		45,892	195,317
Nhlapo L	Councillor	106,915	11,748	16,338	12,424	45,892	195,317
Ramapotoka G	Councillor	119,719	11,748	17,958		45,892	195,317
Motseanyane M.Z	Councillor	119,719	11,748	17,958		45,892	195,317
Matsheng E	Councillor	119,719	11,748	17,958		45,892	195,317
Moyo D.F	Councillor	119,719	11,748	17,958		45,892	195,317
Masilo J	Councillor	119,719	11,748	17,958		45,892	195,317
Nondzaba M	Councillor	104,892	11,748	15,705	17,280	45,892	195,317
J Maretele	Councillor	105,272	11,748	15,809	16,596	45,892	195,317
Pele J.M	Councillor	118,467	11,748	17,770	1,440	45,892	195,317
Rasepae M.D	Councillor	119,719	11,748	17,958		45,892	195,317
Pheto M.R	Councillor	119,719	11,748	17,958		45,892	195,317
Ntshabele S	Councillor	106,915	11,748	16,338	12,424	45,892	195,317
Radiokane J.M	Councillor	119,719	11,748	17,958		45,892	195,317
Ramokoka A.R	Councillor	119,719	11,748	17,958		45,892	195,317
Sekao H.B	Councillor	119,719	11,748	17,958		45,892	195,317
Sekhu S.K	Councillor	119,719	11,748	17,958		45,892	195,317
Sikhe M.L	Councillor	119,719	11,748	17,958		45,892	195,317
Tau D.D	Councillor	119,719	11,748	17,958		45,892	195,317
Thusi M.B	Councillor	119,719	11,748	17,958		45,892	195,317
Tshile L.M.J	Councillor	119,719	11,748	17,958		45,892	195,317
	51	5,824,484	562,505	873,715	128,293	2,275,476	9,664,473
	52	9,606,471	797,427	1,440,992	190,579	3,745,933	15,781,402



REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE MOSES KOTANE LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Moses Kotane Local Municipality set out on pages 13 to 65, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Provisions

6. SA Standards of GRAP, GRAP 19, *Provisions, Contingent Liabilities and Contingent Assets* require that a provision be recognised when an entity has a present obligation for an outflow of economic resources that can be reliably estimated. Provisions disclosed in the statement of



financial position is understated by R4 559 684 and non-current provisions disclosed in the statement of financial position is understated by R7 450 827, due to the incorrect calculation of provision for landfill sites. Consequently, assets are understated by R9 120 855 due to the cumulative effect of this misstatement.

Property, plant and equipment

7. I was unable to obtain sufficient appropriate audit evidence for the existence, valuation and rights and obligations of additions of R44 160 810 included in acquisitions to infrastructure assets, buildings and community assets disclosed in note 6 to the financial statements. I was unable to confirm these acquisitions by alternative means. Consequently, I was unable to determine whether any adjustments relating to property, plant and equipment in the statement of financial position was necessary.
8. I was unable to obtain sufficient appropriate audit evidence for the existence, valuation and rights and obligations of infrastructure assets of R7 257 427 included in property, plant and equipment of R642 583 986 disclosed in note 6 to the financial statements. I was unable to confirm these infrastructure assets by alternative means. Consequently, I was unable to determine whether any adjustments relating to property, plant and equipment in the statement of financial position was necessary.

Revenue

9. Standards of GRAP, GRAP 9, *Revenue from exchange transactions* requires that revenue be recognised when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity. Certain consumers in the Mogwase area were not billed for water consumption, as a result revenue from service charges disclosed in the statement of financial performance is understated by R3 017 894 (2011: R4 327 590). Consequently, consumer debtor and accumulated surplus is understated by this amount due to the cumulative effect thereof.

Qualified opinion

10. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Moses Kotane Local Municipality as at 30 June 2012 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and the DoRA.

Emphasis of matters

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unauthorised, Irregular and Fruitless and Wasteful expenditure

12. As disclosed in note 32.1 to the financial statements, unauthorised expenditure of R13 416 866 was incurred in the current year and the unauthorised expenditure of R3 870 201 in respect of prior years has not yet been dealt with in accordance with section 32 of the MFMA.
13. As disclosed in note 32.3 to the financial statements, irregular expenditure of R71 303 996 was incurred in the current year and irregular expenditure of R113 833 520 from prior years has not yet been dealt with in accordance with section 32 of the MFMA.
14. As disclosed in note 32.2 to the financial statements, fruitless and wasteful expenditure of R3 395 601 was incurred in the current year and fruitless and wasteful expenditure of R6 887 196 from prior years has not yet been dealt with in accordance with section 32 of the MFMA.



Material impairments

15. As disclosed in note 10 to the financial statements, material losses of R30 651 472 were incurred as a result of an impairment provision for doubtful debts.
16. As disclosed in note 42 to the financial statements, material losses of R6 937 461 were incurred as a result of water losses.

Additional matter

17. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

18. The supplementary information set out on pages 66 to 76 does not form part of the financial statements and is presented as additional information. I have not audited these annexures and accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

19. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

20. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 115 to 156 of the annual report.
21. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned development priorities. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information (FMPPI).
22. The reliability of the information in respect of the selected development priorities is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
23. The material findings are as follows:

Usefulness of information

24. Improvement measures in the annual performance report for a total of 78% of the planned targets not achieved were not disclosed as required by section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2008) (MSA). This was due to inadequate review of the reported performance achievement by senior management to ensure compliance with the requirements of section 46 of the MSA.
25. The MSA section 41(c) requires that the integrated development plan should form the basis for the annual report, therefore requiring the consistency of the indicators and targets between planning and reporting documents. A total of 40% of the reported indicators and a total of 66% of reported target are not consistent with the indicators and targets as per the approved integrated development plan. This is due to the lack of an inadequate performance reporting and management system.
26. The MSA section 34 (b) and the Municipal Planning and Performance Management Regulation 3 requires that prescribed process should be followed on amendment of the



Integrated development plan. A total of 100% of the changes made to the development priorities, performance indicators and targets were not approved. This is due to the lack of adequate performance reporting and management system.

27. The National Treasury FMPPi requires that performance indicators be well defined and verifiable and targets be specific and measurable:
- A total of 24% of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently.
 - A total of 24% of the indicators were not verifiable in that valid processes and systems that produce the information on actual performance did not exist.
 - A total of 32% of the targets were not specific in clearly identifying the nature and the required level of performance.
 - The required performance could not be measured for a total of 48% of the targets.
 - A total of 48% of the targets were not time bound in specifying a time period or deadline for delivery.

This was due to the lack of key controls in the relevant systems of collection, collation, verification and storage of actual performance information as well as the fact that management was aware of the requirements of the FMPPi but did not receive the necessary training to enable application of the principles.

Reliability of information

28. The National Treasury FMPPi requires that processes and systems which produce the indicator should be verifiable and that the indicator be accurate enough for its intended use and respond to changes in the level of performance. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the validity and accuracy of the actual reported performance relevant to

- 71% of the roads and storm water development priority,
- 33% of the Electricity development priority,
- 55% of the Water development priority,
- 80% of the Sanitation and refuse removal
- 64 % of the Housing and
- 61% of the Local economic development.

This was due to a lack of regular management verification of reported achievements against supporting documents. The limitations placed on the scope of my work were due to the municipality's records not permitting the application of alternative audit procedures.

29. The National Treasury FMPPi requires that documentation addressing the systems and processes for identifying, collecting, collating, verifying and storing information be properly maintained. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the completeness of the actual reported performance relevant to 100% of the selected development priorities. This was due to limitations placed on the scope of my work by the absence of information systems and the institution's records not permitting the application of alternative audit procedures.

Additional matter

30. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

31. Of the total number of 170 targets planned for the year, 129 targets were not achieved during



the year under review. This represents 76% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

Compliance with laws and regulations

32. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Strategic planning and performance management

33. The municipality did not adopt a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players as required by section 38, 39, 40 and 41 of the MSA read with regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

Budgets

34. The municipality incurred expenditure that was not budgeted for and incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA.

Annual financial statements, performance and annual report

35. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of assets, liabilities and revenue identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.
36. The 2010/11 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.
37. A written explanation was not submitted to council setting out the reasons for the delay in the tabling of the 2010/11 annual report in the council, as required by section 127(3) of the MFMA.
38. The annual performance report for the year under review does not include a comparison of the performance with set targets, and a comparison with the previous financial year / measures taken to improve performance, as required by section 46 (1)(c) of the MSA.

Audit committees

39. An audit committee was not in place, as required by section 166(1) of the MFMA.
40. A performance audit committee was not in place as required by the Municipal Planning and Performance Management Regulation 14(2)(a).

Internal Audit

41. The internal audit unit did not function as required by section 165(2) of the FMA, in that it did not prepare a risk-based audit plan and an internal audit programme for the financial year under review and did not advise the accounting officer on matters relating to internal controls, accounting procedures and practices, risk management and loss control.
42. The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and the Municipal Planning and Performance Management Regulation 14(1)(a).



43. The internal audit unit did not assess the functionality of the performance management system, whether the performance management system complied with the requirements of the MSA, the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by the Municipal Planning and Performance Management Regulation 14(1)(b)(i), (ii), (iii).
44. The internal audit unit did not audit the performance measurements on a continuous basis and submitted quarterly reports on their audits to the municipal manager as required by the Municipal Planning and Performance Management Regulation 14(1)(c).

Procurement and contract management

45. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).
46. A list of accredited prospective providers was not in place for procuring goods and services through quotations as required by SCM regulation 14(1)(a).

Expenditure management

47. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.
48. The accounting officer did not take effective steps to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Revenue management

49. An adequate management, accounting and information system was not in place which recognised revenue when it was earned, accounted for debtors, accounted for receipts of revenue, as required by section 64(2)(e) of the MFMA.

Asset management

50. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
51. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.
52. Capital assets were sold and permanently disposed without the approval of the council, as required by section 14(2)(a) of the MFMA and Municipal Asset Transfer Regulation 5.

Waste management

53. The municipality operated their waste disposal sites without a waste management license or permit, in contravention of section 20(b) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) (NEMWA) and section 20(1) of the Environmental Conservation Act, 1989 (Act No. 73 of 1989).
54. The municipality's waste management and disposal activities contravened or failed to comply with the requirements of section 28(1) of the National Environmental Management Act, 1998 (Act No. 107 of 1998) and sections 16(1)(c)&(d) and 26(1)(b) of the NEMWA.

Internal control

55. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.



Leadership

56. Though management established a formal code of conduct to ensure ethical and moral behaviour, the code of conduct still needs to be rolled-out to staff.. The internal policies and procedures did not adequately address the processes pertaining to the planning, monitoring, managing and reporting of performance information. The numerous instances of non-compliance with the MFMA, as detailed under the 'reporting on compliance with laws and regulations section' of this report is as a result of a lack of adequate policies and procedures to guide the operations of the municipality.

Financial and performance management

57. There was a lack of oversight over reporting, compliance with laws and regulations and internal control as various supporting documentation could not be submitted during the audit. Consequently, controls to ensure that information in the financial statements and the report on predetermined objectives are inadequate.

Governance

58. The council failed to implement good governance principles within the municipality. These include the development and implementation of a risk management policy, fraud prevention plan and an effective internal audit function and audit committee.

Auditor-General

Rustenburg

30 November 2012



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012

GENERAL INFORMATION

Company Registration Number	2006/003818/07
Country of Incorporation and Domicile	South Africa
Nature of Business and Principal Activities	Regional Economic Agency
Registered Office	Stand 1350 Unit 3 Mogwase 0314
Postal Address	P O Box 3005 Mogwase 0314
Contact Information	Telephone: (014) 555 5266 Fax : (014) 555 6368 Email municipal.manager@moseskotane.gov.za
Controlling Entity	Moses Kotane Local Municipality
Bankers	Absa Rustenburg
Auditor	Auditor General of South Africa

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 85 to 110 were approved by the Municipal Manager of Moses Kotane Local Municipality on behalf of the Moses Kotane Development Agency on 31 August 2012



MUNICIPAL MANAGER
Ms S R Dince

(Registration number 2006/003818/07)

Annual Financial Statements for the period ended 28 June 2012

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and

The directors have reviewed the entity's cash flow forecast for the period ended 28 June 2012 and, in the light of this review and

the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The board of directors is primarily responsible for the financial affairs of the municipal entity.

The external auditors are responsible for independently reviewing and reporting on the municipal entity's annual financial statements.

The annual financial statements set out on pages 85 to 110 which have been prepared on the going concern basis, were approved by the municipal manager of the Moses Kotane Local Municipality on behalf of the Moses Kotane Development Agency on 31 August 2012



MUNICIPAL MANAGER
Ms S R Dince

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD

STATEMENT OF FINANCIAL POSITION AT 28 JUNE 2012

NET ASSETS AND LIABILITIES	Notes	2012 R	2011 R
ASSETS			
CURRENT ASSETS		0	6,930
Bank Balance and Cash	2	0	6,930
NON - CURRENT ASSETS		0	105,104
Property, Plant and Equipment	1	0	105,104
TOTAL ASSETS		<u>0</u>	<u>112,034</u>
NET ASSETS		0	112,034
Share Capital	3	0	100
Accumulated Surplus		0	111,934
TOTAL NETT ASSETS AND LIABILITIES		<u>0</u>	<u>112,034</u>

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2012

	Note	2012 R	2011 R
REVENUE			
		1	2001
Recoupment	4		2,000
Interest Received - Investments	9	1	1
TOTAL REVENUE		<u>1</u>	<u>2,001</u>
EXPENDITURE			
Depreciation	10	38,444	72,969
General Expenses	5	1,653	2,198
TOTAL EXPENDITURE		<u>40,097</u>	<u>75,167</u>
DEFICIT FOR THE YEAR		-40,096	-73,166

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD

STATEMENT OF CHANGE IN NET ASSETS FOR THE PERIOD ENDED 28 JUNE 2012

	Share Capital	Accumulation Surplus / (Deficit)	Total Nett Assets
	R		R
Balance as at 30 June 2010	100	185,100	185,200
Surplus /Deficit for the year		-73,166	-73,166
Changes in Nett Assets			
Balance at 30 June 2011	100	111,934	112,034
2012			
Surplus /Deficit for the year	-100	-40,096	-40,196
Changes in Nett Assets			
Assets disposal			
De Registration of Agency		-67,973	-67,973
Offsetting of depreciation			
Correction of error		-3,865	-3,865
Balance at 28 June 2012	0	0	0

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD

CASH FLOW STATEMENT FOR THE PERIOD ENDED 28 JUNE 2012

	Note	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
RECEIPTS			
Cash generated from /(utilised in) operations			2,000
Interest received		1	1
		<u>1</u>	<u>2,001</u>
PAYMENTS			
Transfer to Moses Kotane Local Municipality		-5,177	-2,198
General Expenditure		-1,653	
		<u>-6,830</u>	<u>-2,198</u>
NET CASH FROM OPERATION ACTIVITIES		<u>-6,829</u>	<u>-197</u>
NET DECREASE IN CASH AND CASH EQUIPMENT		<u>-6,829</u>	<u>-197</u>
Cash and cash equivalents at the beginning of the year	3	0	7,127
Cash and cash equivalents at the end of the period		<u>0</u>	<u>6,930</u>

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012
ACCOUNTING POLICIES

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies are disclosed below.
These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Fair value estimation

The carrying values of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipal entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012
ACCOUNTING POLICIES

1.1 Significant judgements and sources of estimation uncertainty (continued)

Management used fair value less cost to sell to determine the recoverable (service) amount of tangible assets with an indefinite useful life.

Useful lives of property, plant and equipment

The municipal entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipal entity.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. The cost of an item of property, plant and equipment is recognised as an asset when:

- ☐ it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- ☐ the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or to replace a part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012
ACCOUNTING POLICIES

1.2 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual values. Depreciation commences when property, plant and equipment are ready for their intended use.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Plant and machinery	5 years
Furniture and fixtures	6 years
Office equipment	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference is recognised in surplus or deficit when the item is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Financial instruments

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at fair value

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012
ACCOUNTING POLICIES

1.3 Financial instruments (continued)

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

The municipal entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement

The municipal entity measures a financial asset and financial liability initially at its fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement

The municipal entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- ☐ Financial instruments designated as at fair value through surplus or deficit.
- ☐ Financial liabilities at amortised cost using the effective interest rate method less impairment.
- ☐ Loans and receivables at amortised cost using the effective interest rate method less impairment.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012
ACCOUNTING POLICIES

1.3 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The municipal entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipal entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Derecognition

Financial assets

The municipal entity derecognises a financial asset only when:

- ☐ the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- ☐ the municipal entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- ☐ the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipal entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipal entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012
ACCOUNTING POLICIES

1.3 Financial instruments (continued)

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipal entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.4 Tax

Current tax assets and liabilities

No provision for current tax assets and liabilities are made as the municipal entity is exempt from taxation.

Tax expenses

No provision for current tax expenses are made as the municipal entity is exempt from taxation.

1.5 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- ☐ distribution at no charge or for a nominal charge; or
- ☐ consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipal entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012
ACCOUNTING POLICIES

1.5 Inventories (continued)

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipal entity. When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.6 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipal entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

The municipal entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipal entity estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. Irrespective of whether there is any indication of impairment, the municipal entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipal entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipal entity applies the appropriate discount rate to those future cash flows.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012
ACCOUNTING POLICIES

1.6 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Recognition and measurement (cash-generating unit)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipal entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipal entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- ☐ the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- ☐ the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012
ACCOUNTING POLICIES

1.6 Impairment of cash-generating assets (continued)

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- ☐ its fair value less costs to sell (if determinable);
- ☐ its value in use (if determinable); and
- ☐ zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of an impairment loss

The municipal entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
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1.6 Impairment of cash-generating assets (continued)

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- ☐ its recoverable amount (if determinable); and
- ☐ the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.7 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

The municipal entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipal entity estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012
ACCOUNTING POLICIES

1.7 Impairment of non-cash-generating assets (continued)

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipal entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipal entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised.

The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012
ACCOUNTING POLICIES

1.7 Impairment of non-cash-generating assets (continued)

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the municipal entity after deducting all of its liabilities.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

1.10 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- ☐ the municipal entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- ☐ the municipal entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
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1.10 Revenue from exchange transactions (continued)

- ☐ the amount of revenue can be measured reliably;
- ☐ it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity; and
- ☐ the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- ☐ it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity; and
- ☐ the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.11 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipal entity either receives value from another municipal entity without directly giving approximately equal value in exchange, or gives value to another municipal entity without directly receiving approximately equal value in exchange.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipal entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
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1.11 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipal entity.

When, as a result of a non-exchange transaction, the municipal entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Debt forgiveness and assumption of liabilities

The municipal entity recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the fair value of the debt forgiven. Where debt is carried at a value other than fair value, the receivable is recognised at the carrying amount.

1.12 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipal entity has complied with any of the conditions embodied in the agreement. To the extent that the conditions have not been met a liability is recognised.

1.13 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.14 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value or current replacement cost and all deficits of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012
ACCOUNTING POLICIES

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- ☐ overspending of a vote or a main division within a vote; and
- ☐ expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure incurred by the municipal entity in contravention of, or that is not in accordance with:

- ☐ a requirement of the MFMA (Act No. 56 of 2003), and which has not been condoned in terms of section 170; or
- ☐ a requirement of the Municipal System Act (Act No.32 of 2000), and which has not been condoned in terms of this Act; or
- ☐ a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- ☐ a requirement of the supply chain management policy of the municipality or any of the municipality's by-law giving effect to such policy, and which has been condoned in terms of such policy or by-law.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012
ACCOUNTING POLICIES

1.19 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, the note to the financial statements must be updated to reflect this.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012
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1.23 Related parties

The municipal entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipal entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipal entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 26 JUNE 2012

1. PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

	Plant and Equipment	Furniture and Equipment	Office Equipment	Total
Reconciliation of Carrying Value	R	R	R	R
Carrying value at 1 July 2011	34,300	25,988	44,816	105,104
Cost	89,383	116,992	199,616	405,991
Accumulated depreciation	-55,083	-91,004	-154,800	-300,887
Capital under Construction				
Depreciation	-13,356	-9,747	-15,341	-38,444
Transferred To Moses Kotane Local Municipality	-85,518	-116,992	-199,616	-402,126
Correction of error	-3,865			
Transferred To Moses Kotane Local Municipality	68,439	100,751	170,141	339,331
Cost				
Accumulated depreciation				
Carrying values at 30 June 2012	0	0	0	0
Cost	85,518	116,992	199,616	402,126
Carrying value of transfer	-85,518	-116,992	-199,616	-402,126
Accumulated depreciation	0	0	0	0

Pledged as security

No items of property, plant and equipment are pledged as security.

Borrowing costs capitalised

No borrowing cost was capitalised during the year.

The Moses Kotane Development Agency has been de - registered and the assets have been transferred to Moses Kotane Local Municipality

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012 (Continued)

	2012 R	2011 R
2. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consists of:		
Cash on hand		100
Bank Balances		6,830
	<u>0</u>	<u>6,930</u>
The municipal entity had the following bank account		
Current Account (Primary Bank Account)		
ABSA Rustenburg Branch		
Account Number: 40 6594 4172		
Cash book balance at beginning of year	6,830	7,027
Cash book balance at end of year	0	6,830
3. SHARE CAPITAL		
Authorized		
1000 ordinary shares at R1.00 each		1000
Issued		<u>1000</u>
100 ordinary shares at R1.00 each		100
		<u>100</u>

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012 (Continued)

4. OTHER REVENUE	2012	2011
	R	R
Recoupment	0	2000
	<u>0</u>	<u>2,000</u>
The amount included in other revenue arising from non-exchange transactions is as follows:		
Recoupment	0	2,000
5. GENERAL EXPENDITURE		
Bank Charges	1,653	2198
	<u>1,653</u>	<u>2,198</u>
6. OPERATING SURPLUS (DEFICIT)		
Operating surplus (deficit) for the year is stated after accounting for the following:		
Depreciation on property plant and equipment	38,444	72,969
	<u>38,444</u>	<u>72,969</u>

MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 JUNE 2012 (Continued)

7. EMPLOYEE RELATED COST

2012
R

2011
R

There were no employee related cost as all the employees have been transferred to the Moses Kotane Local Municipality
The board of directors has been dissolved

8. INVESTMENT REVENUE

Interest on current account

1

1

1

1

9. DEPRECIATION AND AMORTISATION

Property plant and equipment

38,444

72,969

38,444

72,969

10. TAXATION

No provision for taxation has been made as the municipal entity has been exempt from taxation

11. CASH (USED IN) GENERATED FROM OPERATIONS

Surplus (Deficit)

-73,166

Adjustments for:

Depreciation and amortisation

72,969

12. RELATED PARTIES

Controlling Entity

Moses Kotane Local Municipality

0

-197

13. DIRECTORS EMOLUMENTS

No emoluments were paid to the directors during the year

14. COMPARITIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

15. GOING CONCERN

The Moses Kotane Local Municipality has decided that the Moses Kptane Development Agency is no longer a going concern and has therefore de- registered the Agency



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE MOSES KOTANE DEVELOPMENT AGENCY (SOC) LTD

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Moses Kotane Development Agency (SOC) Ltd, which comprise the statement of financial position as at 28 June 2012, the statements of financial performance, changes in net assets and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 85 to 110.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, plant and equipment

4. During 2011, I was unable to obtain sufficient appropriate audit evidence about property, plant and equipment reflected as R105 104. I was unable to confirm the property, plant and equipment by alternative means. Consequently I was unable to determine whether any adjustments to this amount were necessary. My audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Revenue

5. During 2011, I was unable to obtain sufficient appropriate audit evidence about revenue reflected as R2 001. I was unable to confirm the revenue by alternative means. Consequently I was unable to determine whether any adjustments to this amount and accumulated surplus were necessary. My audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.



Operating expenditure

6. During 2011, I was unable to obtain sufficient appropriate audit evidence about operating expenditure reflected as R75 167. I was unable to confirm the operating expenditure by alternative means. Consequently I was unable to determine whether any adjustments to this amount and accumulated surplus were necessary. My audit opinion on the financial statements for the period ended 30 June 2011 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Disclaimer of opinion

7. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

9. I am unable to report findings on the usefulness and reliability of the annual performance report of the Moses Kotane Development Agency (SOC) Ltd as it was not prepared as required by section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2008) (MSA) and section 121(3)(c) of the MFMA.

Compliance with laws and regulations

10. I performed procedures to obtain evidence that the municipal entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Strategic planning and performance management

11. The accounting officer of the municipal entity did not, by 20 January assess the performance of the entity during the first half of the financial year, taking into account the targets set in the service delivery agreement, business plan or other agreement with the entity's parent municipality as required by section 88(1)(a) of the MFMA.
12. The accounting officer of the municipal entity did not submit the results of the assessment on the performance of the municipality during the first half of the financial year to the parent municipality of the entity as required by section 88(1)(b) of the MFMA.

Budgets

13. The board of directors did not approve the annual budget by 31 May, 30 days before the start of the financial year, as required by section 87(4) of the MFMA.

Annual financial statements

14. The accounting officer did not prepare and include an assessment of the performance against any measurable performance objectives set, in terms of the service delivery agreement or other agreement between the entity and its parent municipality as required by section 121(4)(d) of the MFMA.



Audit committees

15. No audit committee was in place as required by section 166(1) of the MFMA.

Internal audit

16. The municipal entity did not have an internal audit unit in place as required by section 165(1) of the MFMA.

Internal control

17. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion and the findings on compliance with laws and regulations included in this report.

Leadership

18. Though management established a formal code of conduct to ensure ethical and moral behaviour, the code of conduct still needs to be rolled-out to staff. The internal policies and procedures did not adequately address the processes pertaining to the planning, monitoring, managing and reporting of performance information. The numerous instances of non-compliance with the MFMA, as detailed under the 'reporting on compliance with laws and regulations section' of this report is as a result of a lack of adequate policies and procedures to guide the operations of the municipality.

Financial and performance management

19. There was a lack of oversight over reporting, compliance with laws and regulations and internal control as various supporting documentation could not be submitted during the audit. Consequently, controls to ensure that information in the financial statements and the report on predetermined objectives are inadequate.

Governance

20. The council failed to implement good governance principles within the municipality. These include the development and implementation of a risk management policy, fraud prevention plan and an effective internal audit function and audit committee.

Auditor-General

Rustenburg

30 November 2012



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



RESPONSE ON THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS FOR THE MOSES KOTANE DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE 2012

BASIS FOR DISCLAIMER OF OPINION

PROPERTY PLANT AND EQUIPMENT

The assets of the MKDA have been transferred to Moses Kotane Local Municipality during the 2011/2012 financial year and the financial statement reflects therefore a zero balance as at 30 June 2012.

Information regarding the assets for the 2011/2012 financial year has been submitted to the Auditor-General

REVENUE

The balance on the bank account of the MKDA was transferred to the account of the Municipality during June 2012. An amount was paid into the account of the MKDA by the municipality to make provision for bank charges until the account of the MKDA was closed. The only revenue received was R1 interest on the bank account. The account was closed during June 2012

OPERATING EXPENDITURE

The only expenditure incurred on the account of the MKDA for the 2011/2012 financial year was bank charges and depreciation. Information regarding expenditure has been submitted to the Auditor - General

SUMMARY

No activities took place in the MKDA for the 2011/2012 financial year as the agency was dissolved by the council and de-registered during January 2012. As previously mentioned all the assets have been transferred to the municipality.

Consolidated financial statements have also not been prepared as the Agency was de-registered before the end of the financial year which ended on 30 June 2012. No further financial statements will be prepared on the MKDA until such time that the council established an agency again.

The reason for the disclaimer opinion by the Auditor –General is based on the unavailability of information for the 2010/2011 financial year and not for the 2011/2012 financial year. As mentioned by the Auditor-General his opinion is based on the possible effect that the information of the previous financial might have on the figures for the 2011/2012 financial year.

ANNUAL PERFORMANE REPORT 2011/2012 FINANCIAL YEAR

INTRODUCTION

The municipal annual performance report is compiled in terms of section 46 of the Municipal Systems Act (MSA) of 2000 as amended in 2003. The annual performance report forms part of the annual report which is promulgated in terms of Chapter 12 of the Municipal Finance Management Act of 2003. In terms of section 46 of MSA a municipality must annually prepare annual performance report to its citizens that reflect the municipality's performance during the year and compare it against targets that were set. It should also indicate measures that are taken to improve performance and service delivery priorities for the following financial year. Importantly, the performance report should provide progress in terms of implementation of the General Key Performance Indicators that were promulgated by the Minister of Provincial and Local Government. This forms part of the progress provided in the organizational scorecard. The report has also been compiled as far as possible in accordance with the guidelines as issued by National Treasury. The overview of each functional area is presented in the report together with the description of the activity.

The annual performance report looks retrospectively on the plans that have been made from the IDP process which have been identified by the community and guided by national, provincial and local priorities. The process of reprioritization is then undertaken and an annual programme is outlined through Budget and Service Delivery Budget Implementation Plan (SDBIP) which is guided by the IDP. Therefore the annual performance report gives an overview of the extent to which the IDP has been implemented.

LEGAL BACKGROUND

In terms of Chapter 6 of the Municipal Systems Act 32 of 2000, section 46 (1) A municipality must prepare for each financial year an annual performance report reflecting-

- (a) The performance of the municipality and of each external service provider during that financial year;
- (b) A comparison of the performances referred to in paragraph (a) with targets set for and performance in the previous financial year; and
- (c) Measures taken to improve performance.

This report must form part of the Annual Report in terms of Chapter 12 (section 121) of the Municipal Finance Management Act 56 of 2003.

KPA 1: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT (Infrastructure and Technical Services)

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
Roads and Stormwater	To improve road access and stormwater drainage within villages	Kilometers of Roads paved/tarred	R26 370 774.86 to construct 15.5 Km comprising of: (2.8Km Magong) (2.7Km Dikweipi) (2.5Km Bojating) (2Km Pella) (2Km Mabskraal) (2Km Bapong) (1.5Km Vrede)	Total of 7.95Km (51% of target) completed for the year, including 2.45 Km completed, in Bojating in Q4. Breakdown as follows: (2.8Km Magong) (2.7Km Dikweipi) (2.5Km Bojating) (2.7Km Dikweipi) (2.45Km Bojating) Contractors for all remaining projects are on site and will complete work within Q1 of 2012/2013 year.	Balance of R12 755 208 And 7.55Km comprising of Bojating (50metres) Pella (2km), Mabskraal (2Km), Bapong(2Km) and Vrede (1.5Km) 10 Km	R15 325 140	Stoppage of project by villagers at Bojating Late registration of projects of Pella, Mabskraal, Bapong and Vrede due to breakdown of MIS, which led to late appointment of service providers	Registration of projects in advance to avoid delay
		Kilometers of Roads re-sealed	10 Km in Mogwase	Not achieved		R 116,000 (for material)	Delay caused by non-responsive tenders	Long term agreement arranged with re-sealing contractor. Project to continue in 2012/2013 financial year.
		Kilometers of Roads gravelled	40 Km	A total of 4.1 Km achieved for Quarter 4 (Goedeheop, Phadi, Unit 1, Lethakeng, Brakui, Moruleng) For the year, a total of 18.7Km was achieved, including a progressive total of 14.6Km achieved at end of Quarter 3.	40km expected, 18.7Km achieved (47% Achieved)	R20,000	Ageing plant that is broken down most of time Attendance to roads under Dept of Transport and Roads due to underperformance by the Dept	Overhaul operational status of plant and replacement/ increase number of existing plant. No reliable measure in place from the dept of transport.
		Kilometers of Roads bladed.	400Km	264Km achieved	66% Achieved.	R0	Ageing plant that is broken down most of time	Overhaul operational status of plant and replacement/ increase number of existing plant

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
							Attendance to roads under Dept of Transport and Roads due to underperformance by the Dept	No reliable measure in place from the dept of transport
		Number of Stormwater Drainage systems constructed	R16 393 000 to construct 5 Stormwater Drainage Systems in (Mabele a pudi, Saulspoort, Thatlagnanyane, Monono, Tweelaagte)	80% Complete Mabele a pudi. 70 % Complete Thatlagnanyane 50% Complete Tweelaagte Saulspoort at tender award stage Monono on tender	None of the 5 projects completed	R4 400 000	Late registration of projects of Saulspoort, Thatlagnanyane, Monono, Tweelaagte due to breakdown of MIS, which led to late appointment of service providers. Poor performance by Mabele a pudi contractor which led to usage of subcontractor.	Registration of projects in advance to avoid delay (strategy for the outer years November every year)
		Record of stormwater drainage systems and potholes maintained. (Job cards).	200 jobcards	157 Job cards achieved.	43 Job Cards	R 198 000	Shortage of bituminous Premix material from suppliers,	Enter into long term agreements for material supply.
Community Lighting	To provide effective and efficient community lighting	Number of new Mast Lights and Street lights erected	65 new high masts comprising of: 35 HML Tlokwen 15 HML Bapong 15 HML Sandfontein 200 Jobcards	Contractors appointed	65 HML	R875 000	Late registration of projects led to late appointment of service providers	Registration of projects in advance to avoid delay
		(Number of HML maintained) Number of Jobcards		67 Jobcards achieved in Quarter 4, making total of 208 jobcards.	8 Jobcards above target	R 98 000	Establishment of a call centre to measure full attendance to queries. Cable and transformer theft.	Anti-theft awareness campaign

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
Electrification of Households	To facilitate electrification of households by Eskom	Number of Households electrified	900 Households	0 Households	900 Households unachieved	None	Turnaround time by Eskom to replace stolen material Shortage of bulk infrastructure to support electrification	Engagement with Eskom to plan effectively.
Water	To provide quality and sustainable water services	Approved Water Demand Management Plan and Water Master plan	Compile a Water Demand Management Plan and a Water Master plan	Water Demand Management Plan compiled but not approved	Water Master plan	R 2.6 Million	Shortage of funds to continue into Water Master plan	Continue engaging funders to acquire funds for complete master plan.
		Reduced number of Households below RDP Standard	2000 HH of the 5000HH estimated	Total of 600 HH achieved for the year.	1400 HH not achieved.	R39.24 Million out of budget of R77.8 Mil	Late registration of projects due to breakdown of MIS, late approval by DWA, which led to late appointment of service providers Unstable water supply from Magalies Water Reluctance from water affairs to approve Tussenkoms/Ruighoek project to supply water to Mabeskraal/Tha tiaganyane area. (1000 Houses	Registration of projects in advance to avoid delay. Liaison with Magalies Water to ensure regional scheme upgrade.

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
Water	To provide quality and sustainable water services	Increase in number of Households at RDP Standard to above RDP Standards (Increased in house and yard connections)	250 HH	306 connections achieved.	Over-performance by 120 connections	R80.9 million	Late approval of projects by DWA and MIG office	Registration of projects in advance to avoid delay.
		Record of maintenance of water systems	1500 Leaks 140 Meter repairs 140 Taps replacements	Leaks- 35 making 1121 total. Meter – 20, making 123 total. Taps – 70, making 174 totals.	N/A None	R5,297,500	None	None
		Allow maximum of 15% unaccounted-for water due to physical losses (Quantity of water metered from sources versus quantity of water metered from end-users)	13786 ML	3446 ML per quarter assumed to be supplied from sources based on capacities of Sources. (Some sources unmetered) Total quantity of end-use meters not recorded due to unmetered end –use points. Full water loss calculation could not be done.	Not determined	R40 Million paid to Magalies Water for bulk purchase	Establishment of water loss team(s)	Establish water loss team and compile monthly water balances
		Compliance to Drinking Water Standards (No. Of samples/tests done)	144 Samples per year (12 sampling points)	144 samples per annum .Blue Drop Score increased from 31.5% to 68.6%	None	R 1400 000	None	None
Sanitation	To provide quality and sustainable	Reduced number of Households below RDP Standard	2000 HH out of approximately 30 000 backlog	1050 VIP's	950HH	R10.5 Mil	Late registration of projects due to breakdown of MIS	Registration of projects in advance to avoid delay

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
	sanitation services						which led to late appointment of service providers. Contractors on site to supply remaining 950 VIP will complete end September 2012.	
		Record of maintenance of sewer systems	200 drain blockages attended in a year	96 blockages done	None	R72,000	None	None
		Compliance to Waste Water Standards (No. Of samples/tests done)	12 Compliance Samples per year (1 sampling point)	12 samples achieved	None		None	None
Transport	To manage and maintain Municipal transport assets	Development of Municipal Transport Policy	Approved transport policy	Policy reviewed but awaits LLF	Transport policy still outstanding	None	Delayed consultation processes	Improve consultative processes
		Development and implementation of Fleet Management System	Approved Fleet Management System	FMS is part of transport policy.	FMS outstanding	R 0	Segmentation of FMS. Non-responsive bidders	Centralization of FMS Strategy to target appropriate service providers
		Records of maintenance and repairs to fleet.	Maintain and repair as and when required.	Number vehicles maintained as and when required.	None	For maintenance R 3,540,000 For fuel R 5,200,000		

KPA 1: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT ... (Community Services)

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
Parks and recreation/ cemeteries and crematoria	Provision of cemeteries and maintenance services in cemeteries to acceptable standards	Cutting of grass in cemeteries	Twice in a year	Both Madikwe and Mogwase cemeteries grass were cut	None	R 50,000	Poor allocation of staff to do tasks	Proper supervision and allocation of duties
	Digging of graves at Mogwase and Madikwe	Digging of graves	As And When Need Arise	150 graves were dug for both Madikwe and Mogwase	None	R 50,000	Mogwase and Madikwe cemeteries are full	Contractor has been appointed for both Madikwe and Mogwase cemetery
	Maintenance of parks	Conduct regular inspection in different parks	3 parks	Inspection done in all three parks on a weekly basis	None	R 125,000	Lack of supervisory skills	Training of supervisors and development of weekly plans.
Disaster management Services	To ensure the provision of essential services to communities in a sustainable manner	Provision of disaster relief to the affected families by disaster incidents	As and when required	60 families were assisted with relief measures (blankets and sponges) as per assessment reports.	None	R 100,000	Shortage of disaster field workers to do the awareness and assistance to the communities.	Ensure appointment of internal staff to do the field work for disaster management.
	Safety school awareness programme	Conduct disaster risk programme to schools	15 schools were targeted	15 programmes conducted in primary school	None	R 25,000 BPD and MKLM	Shortage of field workers to do continuous safety programme in all the wards	Ensure appointment of internal staff to do the field work for disaster management.
		Community risk assessment at Molatedi	01 Risk assessment	1 community risk assessment awareness campaign done	None		Shortage of field workers to do continuous safety programme in all the wards	Ensure appointment of internal staff to do the field work for disaster management.
Municipal building	Maintenances of municipal	Renovations of municipal buildings	All buildings	Renovations and repairs done at municipal buildings	None	R2,5M	Monitoring of project for quality control	Engage housing department for checking the quality control

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
	building			(List all buildings)				
	Cleaning of community halls (EPWP)	Cleaning of 65 community halls around Moses Kotane	65 community halls	Manage to clean 65 community halls	None	R462,000	Transport problems	To engage transport unit to arrange special transport
Safety and security	To improve the level of security	Number of awareness campaigns/operations conducted	8 operations	16 roadblocks	None		Road block trailers.	To be catered for in the next financial budget 2012/13
	Traffic administration	Generation of income through traffic offences	R 1M	Revenue generated R 1,140 190.000	None	R504,000 None	Shortage of traffic officer	SMS campaign LPR outsource the services of sheriff for more collection and including appointment of traffic officers
	Municipal security monitoring	Provision of security officers to municipal facilities	Daily	Manage to patrol all municipal posts for compliance and security reason	None	R 6,9m	New posts not catered for in the new budget	Appointment letters of service providers and reports of incidents
Waste management	Provision of effective waste removal services	Collection of refuse in all villages including Madikwe and Mogwase	All 63 000 thousands households	Collection of waste weekly.	None	R14.2 m	Verification of households and inaccessibility to certain households	Conduct verification of households through councilors and ward committee members.
	Management of waste disposal sites	Maintenance of Mogwase and Madikwe Landfill Sites	Daily	Managed to maintain as required	None	R2,5 m	Mogwase landfill waste side is full, it needs rehabilitation.	Engage BPDM for assistance in the rehabilitation programme, relocation to the new site.
Library Services	Provision of library services to communities.	Develop a new business plan for 2012/13	March 2012	Achieved (business plan developed and submitted to the DSAC, by March 2012. funding expected in November 2012)	None	None	None	None
		Construction of Mogwase library.	March 2012	Achieved (completed in December 2011)	None	Funded by DSAC, R5 Million	Project not handed over by service provider	Issues relating to outstanding handover to be dealt with in the next financial year
		Construction of Mogwase sport &	June 2012	95 % complete	5%	R 4,7 million	Underperformance by contractor, which lead	To be completed in September 2012 (next financial)

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
		recreation Centre					to termination and appointment of sub-contractor to complete work.	

KPA 1: SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT ... (Planning & Development)

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
TOWN PLANNING								
Land tenure upgrading	To facilitate land tenure upgrading processes	Upgrading for Nkogolwe, Marapallo, Mogoditshane, Mantsho and Mantserre	September 2011	Funding for the upgrading has been sourced and plans for implementation in 2012/2013 approved	Implementation to take place in the period of two years	R836 109.92	Consultation processes delayed implementation in Mogoditshane	Engagement to be held with the respective chief or tribal authority
		Land tenure upgrade for Lerome South, Mabel a Podi & other 8 fast growing areas.	June 2012	Partially achieved (DRD&LR to confirm status of resolutions for Mabel a Podi and Lerome South)	8 resolutions still outstanding (DRD&LR to verify Mabel a Podi and Lerome South)	Nil	Obtaining council resolution from tribal authorities; appointment of service providers;	Facilitation of community meetings of the remaining community resolutions
		Implementation of spatial development framework	September 2011	Achieved (projects implemented according to ISDF)	None	Nil	None	Ensure that all departments and developments are in line with ISDF objectives
		% Of land identified and allocated for development as per ISDF	100% land identified as per ISDF	Achieved (100% of municipal owned land identified and % of land allocated as per ISDF)	None	Nil	None	Planning and development, budget and treasury and technical services to meet to draft a plan regarding the facilitation of infrastructure development on un-serviced areas
		Approved land use management policy	September 2011	Not achieved	None	Nil	The review of the land use management policy can only be done after the finalization of the tenure upgrading projects which is envisaged by end December 2013	Expedite the implementation of tenure upgrading projects for all villages and incorporate KPI 2013/2014 financial year
		Land disposal policy	December 2011	Achieved (approved by council 07)	None	Nil	none	Publish the policy for public participation and presentation

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
Building Controls	To facilitate the approval of building plans and ensure proper implementation of approved plans	Street trading by-law	March 2012	December 2010)	None	Nil	None	to council for final adoption
		Spaza shop policy	March 2012	Achieved (approved by council on the 28 October 2011)	None	Nil	None	Publish the policy for public participation and presentation to council for final adoption and establish a Committee to deal with all trade licenses.
		Number of sites allocated for industrial development	12 sites	Partially achieved (published for public comments on the 7 May 2012)	60% completed	Nil	Awaiting comments from the public regarding the policy	Item to be presented to portfolio, EXCO and council for consideration.
		Number of business sites applications processed	12 sites	Achieved 4 sites applications submitted for comments	8 sites	Nil	Internal departments not submitting their comments on time; delay in publishing notices	To be incorporated KPI in the Technical SDBIP's for HOD's and improve engagements with all directorates.
		Number of building plans approved	80	Partially achieved 3 sites applications submitted for comments	9	Nil	Internal departments not submitting their comments on time; delay in publishing notices	To be incorporated KPI in the Technical SDBIP's for HOD's and improve engagements with all directorates.
CBD revitalization	Law enforcement, planning and building control bylaws Development of Mogwase CBD (unit 3 Mogwase	Number of notices issued	40	Achieved (a total of 87 approved applications (135 applications received	Over with 7 plans	Nil	Internal turnaround time	Reduce the turnaround time for approval of building plans
		Number of site developed within Mogwase CBD	5 sites	Achieved (a total of 94 notices issued)	Over with 54 notices	Nil	None	Building inspectors to fully enforce municipal by-laws
				Not achieved	None	Nil	Provision of bulk infrastructure	Sourcing of funding for bulk infrastructure to ensure efficient and effective Planning and development, budget and treasury and technical services to meet to draft a plan

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
Town Planning And Land – Use Management Applications (Development Controls	To ensure efficient and effective assessment of the town planning applications while ensuring compliance with legislation and proper land							regarding the facilitation of infrastructure development on un-serviced areas
		Number of building lines, consolidations, subdivisions and consent use applications processed	12 applications	Achieved (only 4 applications were received from the public and processed)	8	Nil	None	None
		Time taken to process land development applications	3 months	Partially achieved (an average of 4 months taken to approve applications)	Average of 4 months	Nil	Internal department not submitting their comments on time	To be incorporated KPI in the Technical SDBIP's for HOD's and improve engagements with all directorates
		Number of rezoning applications processed	8	Achieved (total of 2 applications considered)	6	Nil	None	None
		Time taken to process rezoning application	6 months	Achieved (all applications considered with timelines)	None	Nil	None	None
		Number of township establishment applications processed	4	Achieved (no new applications received during the year, 4 applications from Moruleng received in prior years are still under consideration.	None	Nil	Moruleng zonal office issues to be addressed with BBKTA prior to finalization of application	Fast track the finalization of Moruleng zonal office issues with BBKTA
		Time taken to process township establishment application	12 months	Not applicable (no new applications received during the year, 4 applications from Moruleng received in prior years are still under consideration.	None	Nil	Moruleng zonal office issues to be addressed with BBKTA prior to finalization of application	Fast track the finalization of Moruleng zonal office issues with BBKTA
	Provide sound town planning and development advice	Total number customers consulted within the jurisdiction of the municipality	495 customers	Achieved a total of 604 customers assisted.	None	Nil	None	Conduct customer satisfaction survey and develop customer register

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges/ Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
Municipal land administration	To ensure that council resolutions are being implemented	Number of council resolutions implemented	8	Achieved (total of 10 resolutions implemented)	None	Nil	None	None
HOUSING								
Housing	To co-ordinate the provision of low income housing	Developed housing master plan	100%	The housing master plan developed by May 2012 and still awaiting council approval	None	Nil	Delayed funding from Dept of Human Settlement to appoint service provider	
		Number of housing support committees to be re-established	10	6	4	Nil	Support committees could not be established in areas where the project was blocked.	All projects to be unblocked in the new financial year and all committees will be re-established
	To co-ordinate the provision of low income housing	Number of subsidy application forms refilled (old projects)	290	290	None	Nil		
		Number of housing support committee meetings held	60	32	28	Nil	Meetings held where there are projects being implemented	Meetings to be scheduled in all areas to address community concerns
		Number of social survey on emergency housing	100	153 achieved	None	Nil	None	None
		Number of emergency housing applications submitted	300	26	274	Nil	Program for emergency housing changed by dept of human settlement - small scale intervention done through allocation of 20 houses to mayors for allocation to the extreme needy	Engage with the dept of human settlement to increase allocation given to the municipality
		Number of quality assurance audit conducted	100	Achieved 310	None	Nil	None	None
		Number of housing	12 consumer	3 consumer	9	Nil	The department of	The department of human

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
		consumer education conducted	education	education			human settlement has postponed the workshops.	settlement to start the workshops in their new financial year
		Number of occupation certificates awarded to beneficiaries	1155 certificates	231 certificates	924 certificates	Nil	Delays in implementation of projects due to lack of funds and approved beneficiaries.	Secure funding and unblock the projects
		Construction of RDP houses in Ramokokastad	48	0	48	Nil	The dept of human settlement to appoint a turnkey developer for construction of the houses. There were delays of six months due to geo tech investigations	Project included in the departmental plan for the financial year 2012/2013 for unblocking
		Construction of RDP houses in Phadi	76	36 houses achieved	40 houses	Nil		
		Construction of RDP houses in Mmorogong	22	0	22 houses	Nil	The dept of human settlement to appoint a turnkey developer for construction of the houses	Project included in the departmental plan for the financial year 2012/2013 for unblocking
		Construction of RDP houses in Bojating	2	2 Houses	None	Nil	Project complete	Project complete
		Construction of RDP houses in Mabaalstad	207	40 foundation 15 wall plates 6 completion	201 houses	Nil	Project ongoing, contractor on site, project was delayed due to delays in approval of beneficiaries.	Contractor to submit revised project plan with increased capacity.
		Construction of RDP houses in Moruleng	196	5 completions 33 wall plates	191 houses	Nil	The dept of human settlement to appoint a turnkey developer for construction of the houses. There were delays of six months due to geotech investigations	Project included in the departmental plan for the financial year 2012/2013 for unblocking 460 units

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
		Construction of RDP houses in Lesetheng	110	0	110 houses	Nil	The dept of human settlement to appoint a turnkey developer for construction of the houses. There were delays of six months due to geotech investigations	Project included in the departmental plan for the financial year 2012/2013 for unblocking 460 units
		Construction of RDP houses in Manamakgotheng	99	6 houses	93 houses	Nil	The dept of human settlement to appoint a turnkey developer for construction of the houses. There were delays of six months due to geotech investigations	Project included in the departmental plan for the financial year 2012/2013 for unblocking 460 units
		Construction of RDP houses in Segakwaneng	122	0	122 houses	Nil	The dept of human settlement to appoint a turnkey developer for construction of the houses. There were delays of six months due to geotech investigations	Project included in the departmental plan for the financial year 2012/2013 for unblocking 460 units
		Construction of RDP houses in Sandfontein	18	0	18 houses	Nil	The dept of human settlement to appoint a turnkey developer for construction of the houses. There were delays of six months due to geotech investigations	Project included in the departmental plan for the financial year 2012/2013 for unblocking
		Construction of RDP houses in Ramoga	52	14 houses	38 houses	Nil	The dept of human settlement to appoint a turnkey developer for construction of the houses. There were delays of six months due to geotech investigations	Project included in the departmental plan for the financial year 2012/2013 for unblocking

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
		Construction of RDP houses in Lerome	76	4 houses	72 houses	Nil	The dept of human settlement to appoint a turnkey developer for construction of the houses. There were delays of six months due to geotech investigations	Project included in the departmental plan for the financial year 2012/2013 for unblocking
		Construction of RDP houses in Dikweipi	19	0	19 houses	Nil	The dept of human settlement to appoint a turnkey developer for construction of the houses. There were delays of six months due to geotech investigations	Project included in the departmental plan for the financial year 2012/2013 for unblocking
		Construction of RDP houses in Welgeval	11	0	11 Houses	Nil	The dept of human settlement to appoint a turnkey developer for construction of the houses. There were delays of six months due to geotech investigations	Project included in the departmental plan for the financial year 2012/2013 for unblocking
		Construction of RDP houses in Legogolwe	51	0	51 Houses	Nil	The dept of human settlement to appoint a turnkey developer for construction of the houses. There were delays of six months due to geotech investigations	Project included in the departmental plan for the financial year 2012/2013 for unblocking
		Construction of houses in RDP Legkraal	34	0	34 Houses	Nil	The dept of human settlement to appoint a turnkey developer for construction of the houses. There were delays of six months due to geotech investigations	Project included in the departmental plan for the financial year 2012/2013 for unblocking

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
		Construction of RDP houses in Mabodisa	145	31	114 houses	Nil	The dept of human settlement to appoint a turnkey developer for construction of the houses. There were delays of six months due to geotech investigations	Project included in the departmental plan for the financial year 2012/2013 for unblocking
		Construction of RDP houses in Mogwase unit 8	211	25 complete 10 wall plates 38 foundations	186 houses, Council had to resolve on the reallocation of houses.	R556,142.00	Delay of funding by the dept of Human Settlement.	Currently re-allocating 100 subsidies to Seolong and Bapong. Forms filled and submitted to the dept.
		Subsidy administration (proposed houses for Phela and Tlokwen, Vrede and Seshibitswe	300	300 subsidy application	None	None	Council had to resolve on the re-allocation of 100 houses	Contractor to increase workforce, contractor issued with site instruction to have the houses completed by August 2012.
		Subsidy administration	200 (120 Molatedi, 30 Uityk, 20 Obakeng, 15 Nkogolwe, 15 Mapaputle)	200 subsidy application	None	None	None	None
		Subsidy administration for Seolong project	50	50 subsidy application	None	None	None	None

KPA 2: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION (CORPORATE SERVICES)

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
Administrative support	To provide sound administrative support	Number of council meetings held	4 meetings	8 ordinary meetings and 4 special meetings (4-7 days)	None	R797,623.86	N/a	N/a
		Timeous compilation of council, EXCO and committees agendas	2-7 days		3 days	R11,050.50 R54,567.00	Administrative delays in finalizing the items Postponement of meetings	Review schedule of meetings Finalize corporate calendar (communications unit) Fast track the process of reminders
		Timeous distribution of minutes	3 days after council meeting (100%)	Achieved. Minutes of council are approved on the same day of council meeting	None	N.a	N/a	N/a
		% of council resolutions implemented.	100% by June 2012	85%	15%	N.a	Other resolutions have conditions and implementation is still in process	
	To establish, implement and monitor a management information system	Adopted records management system	June 2012	Indicator not achieved Draft file plan and draft records management policy still at province for inputs and approval	Records management policy still not approved	N.a	Delay in approval process by the provincial archives	Facilitate meeting with province to request approval
		3 % increase in the number of files processed for disposal	June 2012	Draft policy in place		N.a	Delay in approval process by the provincial archives	Facilitate meeting with province to request approval
Administrative support		Timeous distribution of correspondence	Distribution of correspondence received within 48 hrs of receipt and not later than expected return dates	Achieved. Correspondence distributed to various departments within 48 hours	None	N.a	N/a	N/a
	To provide an	Effective control of	Quarterly	Telephone system	Telephone		Although the system is	Facilitate approval

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
ve services	effective and efficient telephone service to all employees	telephone service of the municipality (monitored telephone extensions)		revised. All employees allocated new pin codes. Monitoring system for purposes of monthly reporting not yet functional	policy still not approved	R4,285,849.93	functional, telephone print outs are not yet forwarded to officials as the policy is not yet approved.	Telephone policy to be adopted by council. Distribute printouts to HOD's for monitoring
Customer care	To improve and promote customer services	Reviewed complaint management system	June 2012	Query tracker is installed in the server room and up and running. Training conducted	None	R45,600.00	Although query tracker is installed in the server room and up and running. Customer care function is still decentralized Lack of resources	Centralize function. Fast track allocation of resources Submit monthly reports to council through portfolio committee and EXCO
Human resources management and development	To enhance institutional governance stability	Adopted human resource strategy	December 2011	Not yet achieved finalized	HR strategy still not approved	N.a	Long outstanding HR project due to budgetary constraints	Request for assistance from the province through MISA project. A strategic planning session to reflect on all changes which will direct the new HR strategy
		Improved organizational performance in line with the employment equity plan by ensuring availability of qualified and suitable personnel	Filling of vacancies within 3 months	Achieved	None	R177,081.43 for advertisement Costs for interviews (catering R3,767.00)	None	None
		Improved organizational performance in line with the employment equity plan by ensuring availability of qualified and suitable personnel	Filling of vacancies within 3 months	Achieved	None		N.a	N.a.
		Reviewed job descriptions	June 2012	Job descriptions not finalized yet. HR is currently identifying	Job descriptions not	N.a	HR project to address the activity kept in abeyance due to	Request for assistance from the province through MISA project.

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
				old job descriptions to check for any changes	signed off as HR project not finalized due to financial constraints		budgetary constraints	
		Reviewed human resource management policies	June 2012	2 policies reviewed and were presented in the portfolio meeting. 2 policies were presented in the LLF held in May 2012 and 2 new policies were to be presented in the LLF scheduled for June 2012		N.a	Delayed consultation (the LLF was postponed due to unavailability of members.)	Ensure to adherence of LLF meeting schedules and fast track meetings of LLF
					None			
	To enhance skills and competency of employees	Development of workplace skills plan % of training budget spent	June 2012 100%	WSP for 2012/2013 was developed and submitted to LG SETA on 29 June 2012 100% on training costs 50% on accommodation, subsistence and travelling)	None	N.a	N.a.	N.a.
					None	Expenditure for actual training for the whole financial year R649,744.35 Amount spent for accommodation and S&TS R649,381.83	Training suspended due to the budget which was exhausted. Although the training budget is exhausted it must however be noted that the bulk of the funds go to accommodation, subsistence and travelling	Develop a strategy to reduce costs on accommodation, travelling and subsistence

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
		% of employees trained in line with the WSP	100%	53,3% Targeted number was 341 and the actual number trained is 182	46,7%	R 1,299,126.18	Training was suspended due to the budget which was exhausted. Although the training budget is exhausted it must however be noted that the bulk of the funds go to accommodation, subsistence and travelling	Develop a strategy to reduce costs on accommodation, travelling and subsistence
	To achieve positive employee climate	Number of health and safety committee meetings held	4 meetings by June 2012	2 meetings held	2 meetings	None	Meetings postponed due to unavailability of members	Ensure adherence to meeting schedules
		Compliance to NIOSH and legislative rules and regulations	June 2012	Advertisement for the purchase of protective clothing and uniform placed. Procurement processes in progress	Actual procurement and allocation	R 209,541,33	Submission of employee information by departments caused delays in the process.	Fast-track the appointment of the service provider
		Compliance to COIDA act - for occupational injuries and diseases	March 2012	3 cases received and forms already submitted to compensation	None	N a	N a.	N a.
		Implementation of employee assistant programme	100%	Achieved and implementation ongoing	None	R118,707.27	N a.	N a.
Labour relations	To promote sound labour relations	Understanding of collective bargaining issues	Labour relations and collective bargaining strategy developed by March 2012	Not achieved. Draft terms of reference in place	Labour relations and collective bargaining strategy	N a	Finalizing the research on the matter and delays in consultation process	Task will be completed before the end of the last quarter

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
					not yet developed			
		Number of LLF meetings held	12 (3 per quarter)	2 ordinary LLF meetings held. 1 meeting held for workshop on policies	10	N/a	The LLF became non-functional since the political changes. It also became difficult to secure dates for LLF as the chairpersonship was on labour side. Labour had own commitments which made it difficult for the LLF. The LLF was resuscitated in February 2012 where the chairpersonship was given to the employer however an agreement was reached that training should first be conducted to all members as the political representation comprise of new members, before the LLF take place.	To adhere to schedule as planned.
		Number of feedback sessions held with trade unions	4 sessions (1 per quarter)	4 sessions	None	R1,100.00	N.a	N.a
		Number of labour relations campaigns facilitated	4	Staff induction for two offices held (one LLF training held internally One LLF training externally Supervisors and managers attended labour relations campaigns	None	N.a	Postponement of the induction delayed the induction process.	Finalize induction before the end the next quarter.

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
				Induction workshops commenced)				
		Time taken to finalize less complex disciplinary cases	90 days	1 Case received and finalized 1 Case received but was withdrawn	None	R 44,960,17	N.a.	N.a.
		Time taken to finalize complex disciplinary cases	6 months	1 case which was finalized resubmitted on arbitration 1 case was resubmitted to the labour court 1 case finalized 1 case still on progress Verify and provide report for the whole year	None	R14,485.58 R2,548,45.51 R 5,471,333.74	Ongoing postponement of cases affect the finalization	Matter depends on representing parties
		Percentage of grievances finalized within prescribed period.	25%	50%. 2 cases were handled and one was finalized. Verify and provide report for the whole year	50%	R1,532,769.90		
		Sound disciplinary hearings conducted and grievances handled according to legislation	4 workshops by June 2012	2 inductions held for employees	2	None. Done by the HR unit	Workshops are delayed due to budgetary constraints	Accommodate such training on the budget in the next financial year
Legal Services	To provide efficient and effective legal	Legislative compliance audit conducted	June 2012	Draft audit in place and submitted to the internal audit and	None	N.a	N.a	N.a

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
	support services for the municipality	Properly monitored contracts and SLA's	Database of contracts in place by December 2010	labour relations office for comments	None	N a	N.a.	N.a.
		Number of by-laws developed	As and when need arise	2 by-laws submitted to council for approval. One approved (street trading) and one referred back (rules) for workshop.		N a	N.a.	N.a.
				Workshop held on 29 November 2011. Town planning department indicated that the approved by-law was also submitted to the provincial department who suggested amendments and some additions. More feedback to follow. Completed new draft solid waste by-law. To be ready for implementation together with new waste disposal site.	None			
		Number service level agreements developed and concluded	As per contract signed with a municipality	All service level agreements compiled, submitted and signed.	None	N a	N.a	N.a
		Compilation of new general valuation roll 2012-2016	New valuation roll to be submitted to municipal manager by 31	Valuation roll submitted for public inspection until 5 April 2012. The objection register submitted to		R 1,077,849.60	N.a	N.a

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
			January 2012	valuer for processing. Valuer of opinion that provisionally no need to have valuation board sittings. First supplementary valuations being prepared to address all reviews currently at valuer. New roll went through legislative process and implementation commenced on 1 July 2012				
		Turnaround time for legal advice on complex opinions	30 days	Achieved	None		N.a	N.a
		Turnaround time for legal advice on less complex and opinions	15 days	Achieved	None		N.a	N.a
		40 % cases against council successfully defended	70	Achieved	None		N.a	N.a
	To enhance accountability	Systems of accountability in place	Implementation	Achieved. Delegations of authority approved by council and implementation in process. In the process of compiling the user friendly document for distribution to all councilor	None	N.a	N.a	N.a
Information Technology	To provide effective and efficient IT support	Number of offices equipped with IT resources	All offices equipped with functional IT resources.	Achieved IT procurement plan reviewed and procurement for the q4 done	None	R932,541.28	N.a	N.a

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
		Review all IT systems	50% of application systems functional	2 systems handed back to the system owners and still under review	None	R45,600.00	N.a	N.a
		Development of master systems plan (MSP)	Development of master systems plan by June 2012	MSP finalized	Approval of MSP	R222,300.00	Delayed consultation process	The MSP to be submitted to council for approval
		Improved and standardized IT processes.	IT policies to be approved by June 2012	Review in progress, Consultation with all relevant stakeholders at last stage	Approval by council	N.a	N.a	N.a
		A robust and integrated IT architecture/ environment	Maintenance by December 2011	Achieved	N.a	N.a	N.a	N.a
		Upgrading of LAN/WAN	Installation of LAN in the new civic centre extension. By June 2012	Achieved Installation in progress	N.a	R669,888.80	N.a	N.a
		Reduction of IT queries	50% by June 2012	Achieved (less than 30 calls received and resolved within 7 working days)	N.a	N.a	N.a	N.a

HUMAN RESOURCE AND ORGANIZATIONAL MANAGEMENT INFORMATION

STAFF COMPLEMENT: JULY 2011 – JUNE 2012

Total number of employees in each of the levels) in each of the following levels as at 30 June 2012
(indicate employees with disabilities where applicable)

Occupational level	Male				Female				Total
	African	Colored	Indian	White	African	Colored	Indian	White	
Legislators	37				35		-		72
Heads of Departments and corporate managers	9			03	10		-		22
Professionals	14			01	11		-		26
Technicians and Trade workers	35				03		-		38
Community and personal service Workers	08				16		-		24
Clerical and Administrative Workers	21				32		-		53
Machine Operators	30				0		-		30
Labourers	141				71		-		212
Total	295			04	178				477

DEPARTMENT	NUMBER OF STAFF	NUMBER OF VACANT POSITIONS	NUMBER OF VACANT POSITIONS FILLED 2011/12
Political office	05	4	None
Municipal Manager	05	4	1
Corporate Services	61	7	0
Human Resources and Administration, legal services and IT			
Planning and Development: LED, IDP, Land ,Building Housing Administration and Town Planning	44	4	1
Community Services: Libraries, Security, security Services, Cemeteries, Municipal Building , Traffic and Parks & Recreation	109	12	0
Finance: Budget, Expenditure & Reporting , Revenue Management and Supply Chain Management	75	13	1
Infrastructure and Technical Services: Water,, Sanitation, Roads , transport and Project management Unit	113	11	1
TOTAL NO OF DIRECTORATE	412	55	4

RECRUITMENT FOR THE PERIOD 1 JULY 2011 TO 30 JUNE 2012

Occupational level	Male				Female				Total
	African	Colored	Indian	White	African	Colored	Indian	White	
Legislators									
Heads of Departments and Corporate Managers	1				1				2
Professionals	-			-	-				-
Technicians and trade Workers					1		1		1
Community and sales workers	1							1	1
Clerical and Administrative Workers	0								0
Machine Operators and Drivers	0				-				0
Labourers	0								
TOTAL	2				2				4

PROMOTIONS FOR THE PERIOD 1 JULY 2011 TO 30 JUNE 2012

Occupational level	Male				Female				Total
	African	Colored	Indian	White	African	Colored	Indian	White	
Legislators	-								
Heads of Departments and Corporate Managers	-				-				-
Professionals	-								
Technicians and trade Workers	-				-				-
Community and sales workers	-				-				-
Clerical and Administrative Workers									
Machine Operators and Drivers	-				-				-
Labourers									
TOTAL	0				0				0

TERMINATIONS FOR THE PERIOD OF JULY 2011 TO 30 JUNE 2012

Occupational level	Male				Female				Total
	African	Colored	Indian	White	African	Colored	Indian	White	
Legislators	-				-				-
Heads of Departments and corporate manager	2				2				4
Professionals	-				-				-
Technicians	1				1				2
Community Services	-				-				-
Clerical and Administrative Workers	1				3				4
Machine Operators	1				1				2
Labourers	4				1				5
TOTAL	9				8				17

TERMINATIONS FOR THE PERIOD 1 JULY 2011 TO 30 JUNE 2012

Termination Type	Total
Death	4
Resignation	1
Expiry of Contract	3
Dismissal – Misconduct	-
Dismissal – Inefficiency	-
Discharge due to ill health	-
Retirement	1
Other	3
Total	12

LEAVE UTILISATION

SICK LEAVE TAKEN FOR THE PERIOD 1 JULY 2011 TO 30 JUNE 2012

Levels	Total Days	% Days with medical certificates	Number of Employees using sick leave
Legislators		N/A	N/A
Heads of Departments and corporate manager	179	100%	22
Professionals	23	100%	26
Technicians	153	86,5%	38
Clerical and Administrative Workers	629	73%	53
Machine Operators	19	61%	30
Labourers	273	95,4%	217

ANNUAL LEAVE TAKEN FOR THE PERIOD 1 JULY 2011 TO 30 JUNE 2012

Levels	Total Days	Average leave taken per employee
Legislators	N/A	N/A
Heads of Departments and corporate manager	445	13,9
Professionals	130	5,62
Technicians	349	13,4
Machine operators & labourers	2396	9,94
Clerical and Administrative Workers	349	11,7
TOTAL		49,02

TRAINING SKILLS DEVELOPMENT

Category	Beneficiaries	Training Undergone	Number of Beneficiaries	Total Costs
Legislators	Councillors	HIV & AIDS	2	-
	Councillors	Occ. Health and Safety	2	-
	Councillors	Computer literacy	14	R26,400
Heads of Departments and corporate managers	Officials	Information Technology	1	R31,680
	Officials	Performance management	2	
	Officials	CPMPD	4	
	Officials	Payroll admin	1	R82,500
Professionals	Officials	Environmental Law	1	R11,500
	Officials	Asset Management	1	R11,100
	Officials	HR Modules	5	-
	Officials	Financial auditing	3	R4,818,78
	Officials	Labour Court proceedings	3	R12,150
	Officials	Pressure Pipes and Sewer Pipe laying	1	R6,229
	Officials	Coaching and Mentoring	8	R34,751
Technicians	Officials	Process Control	18	R52,657
	Officials	Micro Water Sampling	10	R87,408
	Officials	OETDP	4	R4,363,92
	Officials	CPMD	14	-
	Officials	ELMPD	1	R25,000
	Officials	Special Sports and Recreation	2	-
	Officials	Environmental Law	2	-
Community services	Officials	Principle of payroll	1	R2,950
	Officials	Skills and equity Training	1	R6,934,18
	Officials	Community Project Management	2	R5,700
	Officials	HIV/AIDS	3	R20,766
	Officials	Employment equity	7	-
	Officials	Principles of pay roll	16	R35,750
	Officials	Leadership and management	1	R6,840
	Officials	MFMA	49	R195,000
	Officials	Health and Safety: Incident investigations	8	R159,600
	Officials	Labour Relations Awareness	20	R17,100
Machine Operators & Drivers	Officials	Ornamental Horticulture	43	R196,080
	Officials	Supervisory skills	2	R13,680
	Officials	Cemetery Maintenance Training	8	R72,960
	Officials	Brush cutting	2	R18,240
Labourer	Officials	ABET	11	R16,082
	Officials	ABET	73	R220,000
TOTAL			345	R1,041,656

INTEGRATED PLANNING AND DEVELOPMENT

Priority area	Objective (strategic objective)	Indicators (key performance indicators)	Annual target	Progress achieved (actual performance)	Variance	Annual expenditure	Blockages/ challenges (reasons for deviation)	Corrective measures (planned remedial actions)
IDP/budget / PMS process plan	Render process plan implementable	Reviewed IDP/budget/ PMS process plan	August 2011	Achieved. The document was adopted by 10 th August 2011 instead of end of the month.	None	R423,694.37 but budgeted amount was R400,000.00	Planned dates within the adopted are not always adhered to.	Internal departments to be work shopped about the process
IDP/budget - Integrated development plan	To improve the planning processes and render IDP credible	Reviewed IDP	May 2012	Achieved. The draft IDP was noted at the IDP forum by stakeholders on the 30 th March 2012 and adopted by council - 31 st May 2012	None		Delays from other departments to provide information	To ensure that different clusters within departments are formed to ensure understanding of programmes
		IDP Community consultations	1 st round October 2011 and 2 nd round March 2012	Achieved - 1 st round of community consultation from the 18 October - 8 November 2011 and 2 nd community consultation for comment on the draft IDP review and project identification to our stakeholders from the rep forum - 21 days advertisement for input & comments	None		Minimal participation from the community as compared to population statistics. -non participation by directors and ignoring IDP schedule	Cascading of IDP
		IDP forums	4 IDP forums	Achieved - 1 st forum was on the adoption of the process plan on the 23 rd August 2011, 2 nd held on the 29 th March 2012 and the other planned for the 25 th May 2012 for IDP noting	3 forums held and 1 outstanding 90% achieved.		One session not held because of delays in the submission of departmental analysis reports.	Ensure that different HOU's take responsibility and respond to mails and to formulate clusters dealing with IDP
		Number of IDP steering committee	4 meetings	Achieved - all sessions were held	100%		Lack of interest by HOU's and HOD's on	

Priority area	Objective (strategic objective)	Indicators (key performance indicators)	Annual target	Progress achieved (actual performance)	Variance	Annual expenditure	Blockages/ challenges (reasons for deviation)	Corrective measures (planned remedial actions)
		meetings held.		as planned and extra sessions were held to confirm outstanding issues			IDP issues To date there are still outstanding reports within the adopted IDP.	
		IDP joint seating with finance portfolio	As and when need arise	03 rd August, 07 th September, 05 th October 2011 and 19 th & 26 th January, and 1 st March and 23 rd March joint portfolio with finance, 14 th April and 21 st May 2012.	-		Budget done in silo / or by e mails, only done together when we have to align.	The two portfolio's must ensure they sit regularly for speedy service delivery alignment to projects

PERFORMANCE MANAGEMENT SYSTEM

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Annual Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
Performance management system	To implement an integrated performance management system	Reviewed PMS framework	August 2012	Adopted And Submitted to LG&TA	None	None	-	-
		Number of quarterly reports timeously submitted	4 quarterly reports	4 Quarterly Performance Reports	0	None	Delay in submission of reports by HOD's	To engage the municipal manager and IDP/PMS portfolio head.
		Number of monthly reports submitted to management	12 reports	Not done	12	None	None submission of reports	To engage management
		Quarterly assessments of heads of departments & municipal manager	4 per individual assessments	Not Done		None	Delayed due to late submission of reports	To engage the municipal manager.
		Midterm performance review report	January 2012	Adopted and Submitted to LG&TA and National Treasury departments	None	None	-	-
		Approved institutional scorecard for 2012/13	May 2012	Scorecard submitted to the mayor for approval	1	None	Still awaiting Mayor approval	To request assistance from the municipal manager
		No of performance agreements for 2011/2012 signed	6 performance agreements for MM & senior managers	Signed and Submitted	None	None	-	-
		Adopted annual report (2010/2011)	January 2012	Annual report tabled in May 2012	1	None	Received AG's report in April 2012	-

KPA 3: LOCAL ECONOMIC DEVELOPMENT (Planning & Development)

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Quarterly Expenditure	Blockages/ Challenges (reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
Local Economic Development	Development Of Economic Development Policies Strategies And Plans	Reviewed led plan/strategy	April 2011	Achieved	None	(BPDM)		None
		Reviewed of agricultural master plan	June 2011	Not achieved	None	Operational budget (BPDM)	Budget not received as expected	None
		Developed tourism master plan	June 2011	Not achieved		Rnil	Instructed by the province to review upon completion of the provincial master plan to align our plan	To be reviewed in the next financial year
		Developed tourism route		Achieved • Series of workshops for tourism product owners were held. • Proposed route name adopted.				
		Developed mining master plan	June 2011	Not achieved	None	Rnil	The plan had to await completion of the led plan	To be developed in the next financial year
		Developed mining hub		Presentation to council Training of plan. & dev. Officials Allocation of office space and business portal		Operational budget(catering costs)	None -- all the processes are achieved	To launch the route during tourism month
		Number of led forums held	4 forums	4 forums Achieved	None	Rnil	The plan had to await completion of the led plan	To be developed in the next financial year
		Number of SMME projects financially supported	10 projects	Achieved – 27 projects supported financially New projects: 5	None	R1,285 800.00 Spent and committed	None	To organize training for management To meet all mining companies None -- target is achieved
	To Facilitate And Promote Job Creation							

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Quarterly Expenditure	Blockages/ Challenges (reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
				After-care: 22				
		Number of permanent jobs created through led initiatives	30	Achieved – 50 permanent jobs created	20 in excess	Rnil	None	None – target is achieved
		Number of temporary jobs created through led initiatives	100	Achieved – 222 temporary jobs created	122 in excess	Rnil	None	None – target is achieved
	Support Of Local SMMEs Through Training And Linkage To Business Opportunities	Number of SMME trained	15	Achieved - 174 SMMEs trained	159 in excess	Rnil	None	None – target is achieved
				<ul style="list-style-type: none"> • Layer management course • Poultry mentoring programme • Red tape reduction workshop • Tendering training for women in business • Tourism ambassador program • Co-operative training 		Funded by SEDA		
						Used Municipal Transport. Funded by DTI		
						Funded by BPDM		
						R1,130,000 Funded by DEAT		
						BPDM budget		
						R7,000 catering costs) Used municipal transport	None	None – to continue with other campaigns

KPA 4: MUNICIPAL FINANCIAL VIABILITY (Budget & Treasury)

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Quarterly Expenditure	Blockages/Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
Financial Management And Viability	To provide effective and efficient financial management systems and procedures.	Updated indigent register	Inform consumers on monthly account- survey per village –	indigent register updated , 8572 application registered and submitted to Eskom. Total configured 11453 registered indigents	62,18%	R1,353,540	Delay caused by number plates not delivered	Registration process ongoing pending delivery of nameplates
		Number of households receiving FBE	30800 households	2225 consumers collected tokens during June 2012	92,77%	R1,016 432	Slow collection of tokens by consumers	Arrange meeting with Eskom to find solution
		Number of households receiving water above RDP level(yard connections)	800 households	187 new connections installed during the year	20%	R401,529	Slow due to high number of illegal connections	Need to investigate illegal connections and penalize the defaulters
		Number of meetings held with portfolio committee	12 meetings	12 meetings held	0%	R2,073	None	None
		Number of quarterly reports submitted	4 reports	All quarterly reports finalized and submitted within 10 working days after month end	0%	None	None	None
		Facilitation for training of staff	25 staff members	4 interns under training 25 staff members MFMA training	0%	R 800,502	None	None
		Number of vacant positions filled	Advertise Interview And appoint staff 4 vacancies	1 senior position filled	75%	R72,576	Disputes during shortlisting of other 3 posts interviews with 3 expenditure clerks not finalized	Process to be undertaken and finalized in 2012/2013 financial year
		% Of procurement budget spent on BEE & SMME's 25% of R115,643	100%	R 111,961,000 tenders awarded 36% awarded to local service providers 77% awarded to HDI's	+307%	None	Due to challenges to obtain the information from SMME's	Manager budget and legislative reporting assumed duties on 1 December 2011

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Quarterly Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
		% Increase in revenue base	2%	Total of 187 new connections installed Total operating revenue exceed budget with 3.47%	+3.37%	None		Billing completed up to June 2012
		Number of monthly statements submitted (sec 71 reports)	12 reports	All reports submitted to National Treasury and finance committee	0%	None		
		GRAP compliant asset register and asset maintenance system.	June 2012	All assets captured and unbundled	10%	None	VSMART asset management system completed and operative. Uploading AF new assets for 2011-2012 in progress	System demonstrated to AG during June. AG staff to be trained from 16 July 2012
		Review asset management policy	Revision of asset management policy	Completed, 31 May 2012	0%	None		To be submitted to council in August 2012
		Asset verification management	Quarterly asset count	All assets verified June 2012	0 %	None	None	
		Effective financial systems and procedures	Installation of hardware and software	E-venus implemented and operational	100% complete	None		
		Completion of financial statements	Compilation of financial statements by 30 August 2011	Completed 7 September 2011 and submitted to AG and council Consolidated financial statements and financial statement for MKDA completed and submitted	Late completion	R213,066	Problems related to asset register	Monitor completion of asset register by service provider MKDA financial statements completed and consolidated with municipality's financial statements
		To improve tender processes to fast track service delivery	Bi-weekly procurement meetings	All bids received and adjudicated 46 tenders awarded from 1 July 2011 to 30 June 2012	None	None	Slow submission by procuring departments	Capacitate PMU
		To improve spending	Record and	Capital expenditure	123.96%	R96,677,454	Delay in registering	Refer to infrastructure report

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Quarterly Expenditure	Blockages/Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
		patterns on capital budget to reflect priorities of the municipality	report capital expenditure monthly x12	under performing Only 45.13% of capital budget spent- R 96 677 454 m of R214,216 m	difference between capital expenditure 2010/11 and 2011/12		projects on MIS.	
		To increase cost effectiveness on operating expenditure	Investigate and apply cost saving measures in all departments on a monthly basis	All expenditure scrutinized by senior officials Operating expenditure 92.02% and under control	7.98%	None	Borrowing costs lower R 12 m loan only raised in q4 Maintenance expenditure underperforming only 76.94% expended	Moratorium lifted on appointments
		Proper tariff structure and cost recovery mechanisms-debt management and recovery	Monthly meter readings and billing	Meter readings done up to June 2012 and all accounts distributed. Excluding Magong, Mantserre, Mopyane and Ledig	0%	None	Identification of households with yard connections. Community unrest in Ledig prohibited officials to obtain meter information.	To obtain consumer information in Magong, Mantserre and Mopyane to create consumer accounts. To improve water supply in Ledig.
		Ratio of outstanding service debtors to revenue received for services	Regular Credit control	Total billing for financial year R 121,627 m Cash received R 76,404m 63%	37%	None	Cash flow effected by labour action in August 2011	Ongoing credit control and incentive scheme Cash flow improved in October, November and December 2011 Strict credit control applied in March, cash receipts increased to 75% Decrease in cash to under 60% since March 2012 as result of community activities to zero accounts.
		Preparation of annual budget and MTRF in terms of MFMA and budget and reporting regulations	Prepare budget and IDP process timetable and submit to council 31 July 2011 Adjustment budget by 28	Adjustment budget prepared and approved on 28 February 2012. Budget for 2012-2013 approved by council 31 May 2012.	Done 0%	None	Budget submitted to national treasury and provincial treasury on 6 June 2012	

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress Achieved (Actual Performance)	Variance	Quarterly Expenditure	Blockages/ Challenges (Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
			February 2012 and draft budget by 31 March 2012					

KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Priority Area	Objective (Strategic Objective)	Indicators (Key Performance Indicators)	Annual Target	Progress achieved (Actual Performance)	Variance	Quarterly Expenditure	Blockages/ Challenges/ Reasons for Deviation)	Corrective Measures (Planned Remedial Actions)
Auditing	To provide assurance to management as to the adequacy and effectiveness of governance, risk management and control processes	Risk assessment report – developed risk register	One report	Achieved	0	R 172,680.00	None	None
		Developed risk based audit plan in place	Complete risk based audit plan	Achieved	0	None	None	None
		A number of assurance reports completed.	8 assurance reports completed	Achieved (7 assurance reports)	1	None	Shortage of staff	To fill the vacant post
		A number of performance information reports completed	4 performance information audits	1 Report	3 reports	None	Shortage of staff	To fill the vacant post
Communication	Enhance stakeholder relation and developmental communication	Submission of reports to audit committee	14 reports	Not achieved	9 Reports	None	Uncertainty on the post of HOU	To fill the vacant post
		Review Communication strategy	Communication strategy	Review process is 90 % complete	Workshop for councilors is still to be conducted prior adoption of the strategy by council	None	Lack of human resources	To conduct workshop for councilors and submit the strategy to council for adoption
		Number of communication forum meetings held	Four local communication forum meetings	Achieved	None	None	None	
		To communicate municipal programmes to communities	2 newsletters	1 Newsletter Achieved	2 newsletters	None	Poor coordination of meetings with depts. Shortage of staff newsletter	Improve staff complements Take over secretariat and coordination

RESPONSES TO 2011/2012 AUDITOR GENERAL'S FINDINGS

AUDIT FINDINGS	RECOMMENDATION	COMMITMENT	RESPONSIBLE DEPT / OFFICIAL	TIME FRAME	STATUS
<p>Provisions - Landfill site Current provision not included in AFS and long term provision included at incorrect amount R4 559 684</p> <p>Internal control deficiency Leadership: Proper oversight responsibility was not exercised regarding financial and performance reporting and compliance and related internal controls.</p>	<p>The provision must be recalculated to ensure that the amount will be adequate.</p> <p>The municipality should ensure that rehabilitation and closure of their waste landfill sites comply with all legislative requirements. Furthermore, management should ensure that the municipality's obligations relating to the landfill site is adequately accounted for in the AFS.</p>	<p>The matter has been discussed with the Auditors and their advise is that the council submit a request to Bojanala Platinum District Municipality to assist the council in this regard as it is a problem with all the municipalities and it requires a specialist in this field to determine the cost involved to be provided for the rehabilitation of the landfill sites in Mogwase and Madikwe</p>	Budget and Treasury Office	February 2013	
<p>Compliance – Waste Landfill Site Operations The municipality's operational activities on their waste disposal sites contravened or failed to comply with the requirements of a waste management license or permit or the norms and standards in terms of section 67(1)(f) and (h) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) and section 29(4) of the Environmental Conservation Act, 1989 (Act No. 73 of 1989)</p>	<p>Municipality should always ensure that operational activities on their waste landfill sites and areas comply with all the legislative- and related requirements.</p>	<p>New landfill site has been established.</p>	Community Services/ HOU: Environment Management		

AUDIT FINDINGS	RECOMMENDATION	COMMITMENT	RESPONSIBLE DEPT / OFFICIAL	TIME FRAME	STATUS
<p>Internal control deficiency</p> <p>Leadership: Limited or no oversight responsibility was exercised regarding financial performance reporting and compliance and related internal controls</p>	<p>That the Municipal Manager & the Mayor exercise their responsibilities relating to Financial Performance reporting & compliance</p>	<p>The Mayor is committed to ensure that oversight responsibility will be exercised.</p> <p>This has already begun in monitoring the 1st & 2nd quarter performance report for 2012/2013 financial year</p> <p>Please refer to Provisions – Landfill sites above</p>	<p>Municipal Manager & Mayor</p>		
<p>Compliance - Provision for rehabilitation of operational- and closed landfill sites</p> <p>The Municipality provided for the rehabilitation and closure of their landfill sites as required by GRAP 19.20 – Provisions, contingent liabilities and contingent assets. In terms of GRAP 19.21 – Provisions, contingent liabilities and contingent assets, the municipality is required to raise a provision where there is an obligating event. Furthermore in terms of GRAP 19.49, the amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.</p> <p>The provision amount (R4,559,684) for rehabilitation and repair of the landfills is inadequate, considering the expenses to be incurred for:</p>			<p>Community Services/ HOU: Environment Management</p> <p>BTO/CFO</p>		

AUDIT FINDINGS	RECOMMENDATION	COMMITMENT	RESPONSIBLE DEPT / OFFICIAL	TIME FRAME	STATUS
<ul style="list-style-type: none"> The landfill sites not permitted must be permitted with a view to closure, with the emphasis of the permit application on closure design and rehabilitation. The condition of the sites, requiring extensive rehabilitation and repair to the site areas and immediate surroundings The current provision only includes the rehabilitation and repair of the Mogwase operational landfill site (Madikwe operational landfill site excluded). 					
Provision - Non-current assets: Current provision not included in AFS and long term provision included at incorrect amount R 7 450 827		Please refer to Provisions – Landfill sites above	BTO / CFO		
Property, plant and equipment: No supporting documentation to confirm additions to infrastructure assets, buildings and heritage assets: additions R27 685 160.92 Projection R 44 160 810.00	Management should ensure that effective controls over reconciling and verification of assets are implemented, and also adherence to GRAP 17	The documents will be made available to the Auditor General The matter has been discussed with the Auditor General and they will come and verify the information during the last week of January or during February	BTO / CFO	January/February 2013	Discussed with the office of the Auditor General

AUDIT FINDINGS	RECOMMENDATION	COMMITMENT	RESPONSIBLE DEPT / OFFICIAL	TIME FRAME	STATUS
		to clear the matter			
Property, plant and equipment Infrastructure assets could not be verified: R 7 257 427		The matter will be cleared with the Auditor General during the period of verifying the documents as reported above	BTO / CFO	January/February 2013	
Property, plant and equipment No supporting documentation to substantiate correction of prior period error: R 4 684 264		The documents will be made available to the Auditor General The matter has been discussed with the Auditor General and they will come and verify the information during the last week of January or during February to clear the matter	BTO / HOU: Expenditure Management	January/February 2013	
Revenue: Revenue understated by (2011) R 4 327 590 (2012) R 3 017 894 Consumers not billed (Mogwase Unit 8)	New water connections in development areas should be given through to the Revenue Management Unit as soon as they are connected to ensure that billing takes place.	<ul style="list-style-type: none"> Training on back billing for consumers planned with BCX after which journals will be put through and financial statements restated to reflect the change in the performance and affected schedules. HOU: Water and Sanitation put in measures to ensure that when processing payments for 	HOU: Water and sanitation HOU: REVENUE	By March 2013	Submitted to BCX consultant on Income as a training need. Finalising the valuation balancing end of January 2013 thereafter assist with the journal bulk journal preparation on affected area unit 8.

AUDIT FINDINGS	RECOMMENDATION	COMMITMENT	RESPONSIBLE DEPT / OFFICIAL	TIME FRAME	STATUS
		connections the information is provided to billing section for input on the system.			
<p>Unauthorised, irregular, fruitless and wasteful expenditure: As disclosed in note 32.1 to the financial statements, unauthorised expenditure of R13 416 866 as incurred in the current year and the unauthorised expenditure in respect of prior years of R3 870 201 has not yet been dealt with in accordance with section 32 of the MFMA.</p> <p>As disclosed in note 32.3 to the financial statements, irregular expenditure of R71 303 996 was incurred in the current year and irregular expenditure from prior years of R113 833 520 has not yet been dealt with in accordance with section 32 of the MFMA.</p> <p>As disclosed in note 32.2 to the financial statements, fruitless and wasteful expenditure of R3 395 601 was incurred in the current year and fruitless and wasteful expenditure from prior years of R6 887 196 not yet been dealt with in accordance with section 32 of the MFMA.</p>	Apply section 32 of the MFMA	<p>A request has been submitted to Provincial Treasury and Bojanala Platinum District Municipality for assistance in investigating the matter.</p> <p>No response has been received from Bojanala Platinum District Municipality and a public notice will be prepared for qualified persons or companies to do the necessary investigations where after a report will be submitted to council.</p>	BTO / CFO	January/February 2013	In the process to prepare the specifications for the advertisement

AUDIT FINDINGS	RECOMMENDATION	COMMITMENT	RESPONSIBLE DEPT / OFFICIAL	TIME FRAME	STATUS
SUPPLY CHAIN MANAGEMENT: <u>Procurement and contract management</u>					
Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).	Compliance with SCM reg. 17(a) & (c)	It does happen from time to time that emergencies arise where it is not always possible to obtain three quotations. The matter has been taken up with SCM to ensure that three quotations are obtained	BTO/ HOU: SCM	Already in place	Already in place
Proper record keeping was not in place to support the procurement process	Proper document system for supporting documents	This refers to previous years tender documentations Box files has been opened where all tenders received as well as the bid evaluation recommendations and the appointment letters of the contractors are filed in.	BTO/ HOU: SCM		

AUDIT FINDINGS	RECOMMENDATION	COMMITMENT	RESPONSIBLE DEPT / OFFICIAL	TIME FRAME	STATUS
Internal audit does not evaluate the controls, processes and compliance with laws and regulations with regards to SCM/	Internal Audit must evaluate the controls, processes and compliance with laws and regulations	Internal audit plan developed and covers all weaknesses identified.	Internal audit	In place	In place
A list of accredited prospective providers was not in place for procuring goods and services through quotations as required by SCM regulation 14(1)(a).	List of accredited providers must be kept as required by reg. 14(1)(a)	A list of suppliers database have been developed	BTO/ HOU: SCM	Already in place	Already in place
EXPENDITURE MANAGEMENT:					
Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.	That municipality complies with s.65(2)(e) of MFMA	Invoices have been received late which resulted in the late payment of creditors. Invoices received are sometimes dated three months back All invoices received from May 2012 stamped with the date on which the invoice has been received	HOU: Expenditure Management	Already in place	Already in place
The accounting officer did not take effective steps to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.		This relates to procurement outside the SCM procedures by procuring before an order and the necessary approval has been obtained Officials and politicians will be work shopped on	BTO/ HOU: SCM	February 2013	

AUDIT FINDINGS	RECOMMENDATION	COMMITMENT	RESPONSIBLE DEPT / OFFICIAL	TIME FRAME	STATUS
<p>PREDETERMINED OBJECTIVES Usefulness of information: NT reporting format: Corrective measures 78% of planned targets not achieved were not reported on Consistency: 40% of KPI's on the APR not consistent with IDP 66% of Targets on APR not consistent with IDP 100% of changes made on the development priorities; KPI's and Targets not approved (34(b) MSA & MPPR 3- amendment process) KPI's not well defined & Targets not SMART (in accordance with NT: FMPP) – lack of adequate performance reporting and management system</p>	<p>Review and alignment of IDP, top layer SDBIP, technical SDBIP and quarterly performance report.(Review and alignment of objectives and KPI's.</p>	<p>procedures of SCM to prevent unauthorized expenditure. Submit the amended SDBIP for council approval during the third quarter.</p>	<p>HOU: PMS and senior managers</p>	<p>By March 2013</p>	
<p>Reliability of Information: Validity & accuracy: Lack of information to verify validity & accuracy of reported information on the following: 78% of Roads & storm-water</p>	<p>PMS framework should be in line with the predetermined objectives as per the approved SDBIP and that the current SDBIP (2012/2013) be corrected and submitted to council for approval in the third quarter. Review of both the top layer and technical SDBIP's and ensure compliance to NT SMART criteria requirements. Management should ensure that the KPI's and priorities are reviewed in accordance with NT are (SMART) to ensure accurate reporting.</p>	<p>Management to review the SDBIP and submit to council for approval in the third quarter.</p>	<p>HOU: PMS and senior managers</p>	<p>By March 2013</p>	

AUDIT FINDINGS	RECOMMENDATION	COMMITMENT	RESPONSIBLE DEPT / OFFICIAL	TIME FRAME	STATUS
development priorities 33% of Electricity development priorities 55% of Water development priorities 80% of Sanitation and removal 64% of Housing and 61% of LED	Management also expected to provide portfolio of evidence all the reported achievements.				
INTERNAL AUDIT: The internal audit unit did not function as required by section 165(2) of the Municipal Finance Management Act, in that it did not prepare a risk-based audit plan and an internal audit programme for the financial year under review and Did not advise the accounting officer on matters relating to internal controls, accounting procedures and practices, risk management and loss control.	Internal Audit should comply with legislation by preparing a risk based audit plan and audit program and also by advising accounting officer in terms of s.165(2)	In the current financial year risk based audit plan and yearly program has been prepared; and The accounting officer will be advised on matters relating as stipulated in section 165(2) of MFMA	HOU: Internal Audit		
The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and Municipal Planning and Performance Management Regulation 14(1)(a).	Internal audit should comply with relevant legislation and regulations by auditing performance measures	Covered in the plan and will be performed	HOU: Internal Audit		
The internal audit unit did not assess the functionality of the performance management system, whether the performance management system complied with	Internal audit should comply with relevant legislation and regulations by auditing whether PMS comply with legislation & regulations	Covered in the plan and will be performed	HOU: Internal Audit		

AUDIT FINDINGS	RECOMMENDATION	COMMITMENT	RESPONSIBLE DEPT / OFFICIAL	TIME FRAME	STATUS
the requirements of the Municipal Systems Act, the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by Municipal Planning and Performance Management Regulation 14(1)(b) [(i) / (ii) / (iii)].					
The internal audit unit did not audit the performance measurements on a continuous basis and submitted quarterly reports on their audits to the municipal manager as required by the Municipal Planning and Performance Management Regulation 14(1)(c).	Internal audit should comply with relevant legislation and regulations by auditing performance measures	Covered in the plan and will be performed	HOU: Internal Audit		
PMS framework: PMS framework not adopted	That performance management framework meeting the requirements of legislation and regulations should be adopted	The framework developed and tabled in the portfolio and will be tabled in council January 2013.	HOU: PMS		
Non-compliance:					
IDP PROCESS: Integrated Development Plan 2011/12 was not submitted to the MEC of Local government within 10 days of adoption by the municipal council as required. Council adopted the IDP on the 29 April 2011 and the IDP was submitted to	Management should implement control system that ensures compliance with MSA and MFMA requirements with regard to performance management	Ensure compliance with MSA and MFMA requirements.	HOU:IDP		

AUDIT FINDINGS	RECOMMENDATION	COMMITMENT	RESPONSIBLE DEPT / OFFICIAL	TIME FRAME	STATUS
MEC on the 30 June 2011. Evidence was not provided to confirm that the municipality, within 14 days of adoption of the IDP 2011-12 gave notice to the public of the adoption of the plan Lack of proper oversight by those charged with governance to ensure that proper performance management system is implemented and compliance with laws and regulations is monitored					
BUDGET: We noted through inspection of the SDBIP 2011/12 and the annual budget (original) that: Only capital budget has been allocated to the development priorities. That reflects that not all resources of the municipality have been allocated to the achievement of the municipality's priorities. Differences were identified between the capital budget and the allocated capital budget per development priorities in the SDBIP. And some priorities are not allocated a budget	SDBIP should be compiled in terms of the MFMA and MSA requirements	Alignment of IDP, budget and PMS (SDBIP) during the review of the SDBIP in the third quarter.	HOU PMS: Senior Managers	By March 2013	
Lack of adequate review of the SDBIP and IDP process.	Management to review the SDBIP on quarterly basis and ensure alignment to the	Alignment of IDP, budget and PMS (SDBIP) during the review of the SDBIP in the	HOU: PMS & Management		

AUDIT FINDINGS	RECOMMENDATION	COMMITMENT	RESPONSIBLE DEPT / OFFICIAL	TIME FRAME	STATUS
	IDP.	third quarter.			
Risk management activities and risk strategy The municipality did not conduct a risk assessment as required by the MFMA. Consequently, a number of control deficiencies were identified.		Risk assessment will be conducted annually. For the current financial year 12/13 risk assessment has been conducted.	HOU: Internal Audit / HOD: All the departments	Resolved	